S. HRG. 99-174

POTENTIAL DEVELOPMENT OF LAND ADJACENT TO UNION STATION

HEARING

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

JULY 17, 1985

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CONTENTS

OPENING STATEMENT

	Page
Moynihan, Hon. Daniel Patrick, U.S. Senator from the State of New York	11
Stafford, Hon. Robert T., U.S. Senator from the State of Vermont	1

WITNESSES

Coe, James T., director, Office of Real Estate and Buildings Department, U.S. Postal Service, accompanied by Dennis A Warmsley, general manager, Realty Utilization and Disposal Division, Real Estate and Buildings Department, U.S. Postal Service	31
Written statement	86
Green, Fred L., director of the Office of Planning, District of Columbia	32
Written statement	89
Kelly, Keith, president, Union Station Redevelopment Corp.	18
Written statement	57
Tables supplementing the statement	73
Lawson, William R., Assistant Commissioner of Public Buildings for Design and Construction, General Services Administration	31
Macklin, James E. Jr., executive assistant director, Administrative Office of the U.S. Courts	11
Written statement	34
Mendelsohn, Robert H., president, Mendelsohn Associates, Inc	25
Written statement	78
Riley, John, Federal Railroad Administrator	15
Written statement	50
White, Hon. George M., Architect of the Capitol	12

ADDITIONAL MATERIAL

Letters:	
From the:	
Chief Justice of the Supreme Court	3, 5
Architect of the Capitol	6
Union Station Development Corp	8
Committee on Environment and Public Works to the:	
Postmaster General	9
Appropriations Committee	10

POTENTIAL DEVELOPMENT OF LAND ADJACENT TO UNION STATION

WEDNESDAY, JULY 17, 1985

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, DC.

The committee met at 2:10 p.m., in room 406, Dirksen Senate Office Building, Hon. Robert T. Stafford (chairman of the committee) presiding.

Present: Senators Stafford, Abdnor, Symms, Humphrey, and Moynihan.

OPENING STATEMENT OF HON. ROBERT T. STAFFORD, U.S. SENATOR FROM THE STATE OF VERMONT

Senator STAFFORD. The committee will please come to order. If Mr. Mendelsohn is in the room, we would invite him to join those who are already at the witness table. Our subject this afternoon is the potential for developing the site that is adjacent to Union Station here in Washington.

This site would prove ideal, in our judgment, as the location for consolidating the administrative offices of the U.S. courts. Such a consolidation could enhance the redevelopment of Union Station, which holds a great deal of importance to the Capitol Hill area, to all of the District of Columbia, and to the Northeast rail corrider.

As I have said on previous occasions, my personal preference is to permit existing law to be implemented as soon as possible. That law permits the Department of Transportation to use the site north of Massachusetts Avenue in connection with Union Station development. But I'm not wedded to that concept, and I'm anxious to hear what our distinguished witnesses may tell us this afternoon.

The second option involves a proposal in the House for legislation to override the existing law, then authorize the Architect of the Capitol to construct a courts building on the site. Private developers have also expressed an interest in a public-private partnership for the site.

During this hearing, we will explore each of these concepts. As we examine these questions, we will need to know the real costs of each alternative, as well as they can be projected, as well as how effectively each alternative would mesh with the redevelopment of Union Station.

There should be no dispute over our goal. The question we will examine at this hearing is how to best achieve that goal, how best to hold down costs while guaranteeing early completion of a build-

ing of architecural excellence that will serve the courts and the revitalization of the Union Station area.

I welcome our guests and thank them for taking the time to join us this afternoon and assist us in our deliberations. In a moment I will yield to my very able and knowledgeable colleague, Senator Moynihan, but before that, I would—unless there's objection—place in the record a letter from the Chief Justice of the Supreme Court to the chairman of the Senate Appropriations Committee, Senator Hatfield; a letter from the Chief Justice to the Honorable Jamie L. Whitten, chairman of the Committee on Appropriations of the U.S. House; a letter from the Architect of the Capitol, Mr. White, to chairman Jamie L. Whitten; and a chronological history of squares 722 and 721 on the northside of Massachusetts Avenue and adjacent to the Capitol; a letter from Keith Kelly to the chairman of this committee, and a letter from this committee, signed by this chairman, Senator Domenici, and Senator Moynihan, to the Honorable Paul N. Carlin, Postmaster General; and finally, a letter from this committee to Senator Hatfield, chairman of the Appropriations Committee.

And if there is no objection, I will make those a part of the committee record of this hearing, and then very happily yield to the expert of this committee on architectural matters, Senator Moynihan.

[The letters referred to follow:]

Supreme Court of the United States
Washington, D. C. 20543

CHAMBERS OF
THE CHIEF JUSTICE

June 10, 1985

Dear Mr. Chairman:

On May 15 the House Committe on Public Works and Transportation unanimously reported a bill, H.R. 2416, to direct the Architect of the Capitol to construct a building on the United States Capitol Grounds to provide office space for the judicial branch. Section 5(a) of the bill authorizes $5,500,000 for engineering and design expenditures during fiscal year 1985. H.R. 2416 is presently pending before the Rules Committee in the House.

On May 20, Architect of the Capitol George M. White wrote to Chairman Whitten asking the House Committee on Appropriations to include approval of the $5,500,000 amount in the 1985 Supplemental Appropriations bill, H.R. 2577, in anticipation of "fast track" House approval of H.R. 2416. At Mr. White's request, I wrote to Mr. Whitten, endorsing the Architect's request, on May 21. I enclose copies of both letters to Mr. Whitten. I understand that time prevented favorable action on Mr. White's request by the House Committee on Appropriations.

On June 7, I was advised that the Senate Committee on Appropriations would soon act on H.R. 2577, and that Mr. White would request that the committee include the $5,500,000 amount in the bill. Apparently technical actions, which the Office of Management and the Budget could not complete in late May, have now been taken. I was also advised, however, of a June 5 letter to you, from concerned members of the Senate Committee on Environment and Public Works, recommending that that committee be accorded time to examine alternative approaches to providing a building for the Judiciary. I have reviewed the June 5 letter to you from Senators Stafford, Bentsen, and Moynihan. In my opinion, their recommendation has great merit. Until June 7 I was unaware that there were any alternatives to construction under the supervision of the Architect of the Capitol.

As I emphasized in my May 21 letter to Mr. Whitten, as urgently as we need this building, we also need to acquire it, in a reasonable period of time and at the lowest cost possible.

Please accept this letter as my assurance that I personally believe a slight delay now, justified by a sincere effort to hold costs to a lower level, is in the best interest of the public, and therefore in the best interest of the judicial branch.

Cordially and respectfully,

Warren E. Burger

Honorable Mark O. Hatfield
Chairman, Committee on Appropriations
United States Senate
Washington, D.C. 20510

cc: Honorable John C. Stennis
Honorable Robert T. Stafford
Honorable Lloyd Bentsen
Honorable Daniel Patrick Moynihan
Honorable Thomas P. O'Neill, Jr.
Honorable Jamie L. Whitten
Honorable George M. White

Supreme Court of the United States
Washington, D. C. 20543

CHAMBERS OF
THE CHIEF JUSTICE

May 21, 1985

Dear Mr. Chairman:

I write to endorse the Architect of the Capitol's May 20 request for inclusion of funds, in the supplemental appropriations bill for fiscal year 1985, for the engineering and design of a new office building for the judicial branch. Mr. White's letter explains in detail the correlation between his request and the recently reported bill, H.R. 2416, unanimously approved by the Committee on Public Works and Transportation.

I fully agree with that Committee's desire to expedite this project. In my discussion of the project with the Speaker of the House recently, I emphasized the Judiciary's dedication to achieving the vitally needed facility at minimal cost. As Mr. White has explained, the earlier he can begin his work, the sooner he will finish it, and the sooner we will be able to stop renting space commercially. I firmly believe the new facility will pay for itself in saved rental expenditures very shortly after its completion.

I would appreciate your favorable consideration of Mr. White's request.

Cordially and respectfully,

Warren E. Burger

Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Washington, D.C. 20515

May 20, 1985

Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
U. S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I request that your Committee include in the supplemental appropriations bill for the fiscal year 1985, the sum of $5,500,000, to remain available until expended, for the purposes of carrying out the provisions of H.R. 2416, section 5(a).

On May 15, 1985, the House Committee on Public Works and Transportation, by unanimous voice vote, ordered reported H.R. 2416, a bill "To direct the Architect of the Capitol to construct a building on the United States Capitol Grounds to provide office space for the judicial branch of the Federal Government, and for other purposes". Section 5(a) of H.R. 2416 authorizes the appropriation to the Architect of the Capitol of $5,500,000 for the fiscal year 1985 for the engineering and design of this urgently-needed building. Although some thought was given to requesting these funds for the fiscal year 1986, the Committee on Public Works recognized the need for work to begin immediately on this project, since it will take approximately five years from the commencement of the design phase until the building will be available for occupancy. The Committee therefore determined to proceed with the fiscal year 1985 authorization of appropriations and has placed H.R. 2416 on a "fast track" for enactment.

The funds requested should be included under the heading "THE JUDICIARY, Construction of an Office Building for the Judicial Branch."

We urge you to act favorably on this request.

Cordially,

George M. White, FAIA
Architect of the Capitol

CAPITOL GROUNDS
SQUARES 721 and 722

6/18/15 Completion of purchase of all lots in Square 722*

3/18/27 Completion of purchase of all lots in Square 721*

Such purchases having been authorized under the provisions of the Sundry Civil Act of June 25, 1910. (36 Stat. 738) which declared it to be the purpose of Congress to ultimately acquire all of squares nos. 632, 633, 634, 680, 681, 682, 683, 684, 685, 721, 722, and 723 and authorized the Vice-President of the United States, the Speaker of the House of Representatives and the Superintendent of the Capitol Building and Grounds to acquire said premises by purchase, condemnation, or otherwise and to expend for that purpose not more than $500,000 in any one fiscal year, commencing with the year 1911.

7/31/46 Approval of Public Law 570, 79th Congress, An Act to Define the Area of the United States Capitol Grounds, which includes Squares 721 and 722 within the area defined as "Capitol Grounds."

5/27/72 Enactment of Public Law 92-306, Second Supplemental Appropriations Act, 1972, which contains the following provision:

"For an additional amount for "Capitol Grounds" to enable the Architect of the Capitol to convert square 721 North and square 721 South and the roadway between such squares, now a part of the United States Capitol Grounds, for use for temporary parking facilities for the United States Senate, $130,000, to remain available until June 20, 1973."

2/28/75 Enactment of Public Law 94-6, Further Urgent Supplemental Appropriations, 1975, which contains the following provision:

"For an additional amount for "Capitol Grounds" to enable the Architect of the Capitol to convert squares 680, 681 West, and 722, now a part of the United States Capitol Grounds, for use as temporary parking facilities for the United States Senate, $134,000, to remain available until June 30, 1976."

*Several small parcels, including alleys, were transferred from jurisdiction and control of the Commissioners of the District of Columbia to the jurisdiction and control of the Architect of the Capitol March 4, 1929 (45 Stat. 1695).

UNION STATION
REDEVELOPMENT CORPORATION

Keith Kelly -President

May 10, 1985

The Honorable Robert T. Stafford, Chairman
Senate Office Building Commission
United States Senate
Committee on Environment and Public Works
Washington, D.C. 20510

Dear Senator Stafford:

Thank you for your recent letter containing your thoughts on the City Post Office and a copy of the letter to Postmaster General Bolger. The future use of the City Post Office and the integrity of the exterior designed by Daniel Burnham are important adjuncts to Union Station. We are vitally interested in the future of this fine structure and Union Station Redevelopment Corporation would be happy to work with the Postal Service if they so desire.

Similarly, we are also concerned with the future use of Squares 721 and 722 which flank the Union Station to the East. We anticipate that Secretary Dole may shortly request their transfer from the Architect of the Capitol. We believe that the development of those parcels must be sympathetically designed to compliment the Station and the Post Office.

Please be assured that the points raised in your letter will be in my mind as we go forward with the committee's discussions at NCPC on future uses of this great structure.

Sincerely,

Keith Kelly

Keith Kelly

444 North Capitol Street, N.W. – Suite 740
Washington, D.C. 20001 – (202) 383-2590

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United States Senate
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510

April 19, 1985

The Honorable Paul N. Carlin
Postmaster General
United States Postal Service
475 L'Enfant Plaza West S.W.
Washington, D.C. 20260-0110

Dear Postmaster General:

We understand the Senate may be asked by the Architect of the Capitol to facilitate the Senate's acquisition, either by ownership or by lease, of the Washington City Post Office, adjacent to Union Station.

Following so quickly upon the completion of the Hart Senate Office Building, it does not seem to us that the Congress need acquire what can only be termed an Industrial Annex, which would contain two-thirds as much space as exists in the Hart Senate Office Building. Any space the Senate may need for industrial purposes, such as printing, the location of computers, or storage, should be sited in less valuable space.

We believe the Postal Service, possibly in cooperation with the Union Station Redevelopment Corp., should be allowed to develop the City Post Office, as it has developed old Post Office structures in other cities, provided ownership remains with the Federal Government and the bui'ding's exterior integrity is protected.

Please let us know how we can be of assistance to you.

Sincerely yours,

Robert T. Stafford

Pete V. Domenici

Daniel Patrick Moynihan

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United States Senate
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510

June 5, 1985

The Honorable Mark O. Hatfield
Chairman
Committee On Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

During the consideration of H.R. 2577, the Supplemental Appropriations bill, the suggestion may be made to appropriate design money to the Architect of the Capitol to begin work on a building on Squares 721 and 722 in Washington, D.C. The building would house the administrative offices of the U.S. Courts.

We urge that the Committee on Appropriations neither authorize nor appropriate money for this purpose at this time.

Existing law (Public Law 97-125) permits the Secretary of Transportation to obtain use of that property, if that property proves necessary to enhance the development of Union Station. That option needs to be explored fully to assure the success of Union Station redevelopment.

In addition, acquisition of a structure to house the offices for the Courts at a location adjacent to Union Station may occur more rapidly, and at less cost to the taxpayers, if we undertake it in cooperation with the private sector and the City of Washington. That option, too, needs exploration.

In no way do we seek to preclude development of this land by the Architect for the purposes of the Courts. The House will soon consider an authorizing bill. We believe it would be prudent to allow time for hearings in the Senate to analyze the alternatives, to make certain that we undertake the best development on that land benefiting the taxpayers, the Courts, and the neighborhood.

Our thanks for your consideration of these points.

Sincerely yours,

Lloyd Bentsen
Ranking Minority Member

Robert T. Stafford
Chairman

Daniel Patrick Moynihan

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, U.S. SENATOR FROM THE STATE OF NEW YORK

Senator MOYNIHAN. Mr. Chairman, you're characteristically gracious. The only claim I can make to expertise in these matters is having once, in the distant past, recommended George White to the Architect of the Capitol. And that has been a great source of satisfaction to me.

Thank you for holding these hearings, Mr. Chairman. This committee has been very involved with the fate of Union Station, which we found in very derelict and almost abandoned condition about 6 years ago when we began this. The legislation of 1981 is in place. We haven't seen as much progress as we had hoped, but we are still confident.

This is a situation that has arisen which is very important.

I'd like particularly to express our appreciation, and I'm sure you'll join me, to the very sensitive response we've received from the Chief Justice with regard to this matter. He would like us to proceed as we think best, and shows a confidence in the committee that I'm sure we will discharge.

Senator STAFFORD. Thank you very much, Senator Moynihan. I think at this point we would now be prepared to hear from our guests who are at the witness table. I think we will simply go from left to right, which may not indicate your political philosophy, but it seems to be a logical way to go.

So, Mr. Macklin, we'd be delighted to hear from you first.

STATEMENT OF JAMES E. MACKLIN, JR., EXECUTIVE ASSISTANT DIRECTOR, ADMINISTRATIVE OFFICE OF THE U.S. COURTS

Mr. MACKLIN. Mr. Chairman, Senator Moynihan, on behalf of the Chief Justice I wish to thank you today for the opportunity to testify concerning the consolidation of the administrative elements of the U.S. courts. With your permission, I will ask that my statement be inserted in the record, and I will just summarize what is contained therein.

Senator STAFFORD. Without objection we would be glad to do that.

Mr. MACKLIN. For over 10 years now, the Chief Justice has been attempting to consolidate the administrative elements of the judicial branch here in Washington in a single building, as close to the Supreme Court as is possible.

The entire administrative office of the U.S. courts used to be located in the Supreme Court, until such time as it grew a little bit large, as did the Court's staff, which remains there today.

The Architect of the Capitol recently came out with a master plan for the Capitol Hill which contained two squares, 721 and 722, which he had designated for the administrative office of the U.S. courts, as well as the Federal Judicial Center. This met with the agreement of the Chief Justice. And, as a matter of fact, subsequent to that time when the Union Station Redevelopment Act was passed, the Congress saw fit to again continue those two squares for purpose of the administrative office.

The bill, as you know, called for the Department of Transportation to have the opportunity to call upon the Architect of the Cap-

itol for assignment of those two squares for the construction of a building. That was in 1982. Subsequent to that time, the House Committee on Public Works passed H.R. 2416, which calls for the Architect of the Capitol to build a building for the Administrative Office on those two squares.

But as the Chief Justice said to Senator Hatfield in the letter that has already been introduced into the record, what we need is a building, and what we want is a building which can be put up in a reasonable period of time and in a cost effective manner. We do need to be consolidated. Although we only have small agencies on the administrative side of the judicial branch, we do have something just under 750 people, but the administrative office of the U.S. courts is presently scattered in six different buildings. The Federal Judicial Center is scattered in three.

Though I will echo what the Chief Justice has said, we do need to be consolidated as soon as we can, and in as cost effective a manner as possible, the way in which that would be done, of course, we leave to others.

I'll be happy at this time to answer any questions, if I can.

Senator STAFFORD. Thank you very much, Mr. Macklin. My inclination, unless Senator Moynihan disagrees, would be to hear all of the statements first and then come back for questions. If that's agreeable, gentlemen, we'll go to you next, Mr. White.

STATEMENT OF HON. GEORGE M. WHITE, ARCHITECT OF THE CAPITOL

Mr. WHITE. Thank you, Mr. Chairman. I have submitted what we've entitled "Justifications for Construction of an Office Building for the Judiciary."

Senator STAFFORD. Without objection we'll make that a part of the record. How many pages are they? Are they extensive?

Mr. WHITE. No, there are 11 pages.

Senator STAFFORD. We'll make them a part of the record.

Mr. WHITE. Contained in that justification, which is sort of a combination of our justifications as well as that of the administrative office of the courts, are a number of items of detailed information which I won't touch on here, but merely highlight.

A good deal of that justification material is a result of the hearings that took place on the House side during the consideration by the Subcommittee on Buildings and Grounds of this whole matter. In the course of that a number of things arose that, if I may, I'd like to refer to, even though they may not particularly seem architectural, but they're interrelated. I'd like to also touch on a few of the architectural questions as well as cost, and then I'll wait for questions at the end, as you suggest.

The administrative office was in the Supreme Court Building, as Mr. Macklin said, until the 1950's, when it grew and needed to be placed elsewhere because there was no longer enough room in the court building for it.

I say that because it has some other connotations, I suppose, of a philosophical nature, in that while it was viewed at the time as sort of a temporary entity that was going to be placed in a downtown building until some other place could be found for it, it began

to grow as the judiciary and litigation grew. Now, including the administrative office and the other related entities, there are close to 700 employees involved in this whole operation. That goes beyond the administrative office itself, of course. I think there are some 400 or so involved in the latter, that is, a number of that order or magnitude.

In any event, the reason I mention it is that the administrative office is really a part of the Supreme Court. It was located in the Supreme Court Building. And the building to which it is ultimately assigned, therefore, in my judgment, can be thought of as an extension of the Supreme Court Building, as an annex to the Supreme Court Building as such, rather than just another office building.

There is a proposal, of course, to—as I think you may be aware—to have facilities within the proposed building for retired Justices of the Court. We provide office space now in the Supreme Court Building for retired Justices, and it appears that that's not adequate, and could easily be more inadequate depending upon how many Justices retire at one time. And therefore, some space would be provided in this building—not a great deal, but an office with an opportunity for space for a secretary and a place to do work.

I mention that to indicate that the building has goals other than simply those of a speculative office building or an office building which the GSA might have, in which various Government functions could be placed. It has that connotation which is a little bit different than you would ordinarily expect. And I mention it for whatever purposes it may have in your judgment.

That is also related to the discussion that took place on the House side with regard to whether such a building should be leased or owned by the Government. This is a discussion that I believe will be of interest to you. From my view, having listened to it, it seemed that those kinds of Government activities which are permanent appear to be desirable to have in a permanent building; such as House and Senate Office Buildings, such as the Library of Congress, the Supreme Court, the Capitol. And since this is a Supreme Court function—and it's not going to go away, it's not a temporary function that will rise and fall with life of a particular piece of legislation—it seemed appropriate, on the part of those considering it on the House side, that it be a building owned by the Government. I mention that because of the consideration that was given there to this subject.

Various alternatives, of course, were discussed and have been discussed, including the alternative of the Post Office Building as a possibility for this use—since that's about to become available, as I think you're aware, with the Postal Service in the process of making overtures to the public for consideration of its adaptive reuse.

The Union Station redevelopment option that has been mentioned, with which I know you're very familiar, that option has in it no guarantee, of course, that the administrative offices would occupy the building. It seemed like a good idea, but there is no guarantee either in the legislation or anywhere else, of which I'm aware, that would place the administrative offices there. That would become a matter then for GSA to decide to lease the building, presumably, or some other arrangements to be made on that

basis. I mention that to indicate that, again, the only positive way is by some legislative act which places the administrative offices in that building.

The existing legislation, as you know, provides that the Architect of the Capitol shall assign that land upon request of the Secretary of Transportation. There was no indication of what that word assign meant, nor could I find legislative interpretation of it. And as I think I made this committee aware some time ago, if I were asked to assign it, I interpreted that from my view to mean that assignment could provide some conditions in the assignment.

And one of the conditions I intended to make, which was as far as I felt I could go, was to ask that first consideration for the use of the building be given to the administrative offices. On the other hand, that doesn't preclude it being used for some other purpose. And I'm sure others will speak to those needs.

I might say, in that regard, that the discussion that occurred on the House side was also indicative of the fact that it appeared, when the legislation was considered—and I'm talking now about the Union Station redevelopment—that this site was a necessary part of the economic needs for the redevelopment to take place. I remember the feasibility studies in which we participated that came to that conclusion.

It nevertheless seems that the Union Station redevelopment is taking place independent of that purported need, under the conditions that have occurred, a development which I can't imagine would not be economically viable, otherwise it wouldn't proceed since it's a private enterprise development taking place. It therefore appears that perhaps that need is not as strong as it once appeared to be, if, indeed, it exists at all.

Let me move now into the cost question. You'll find in the justification, which we submitted, some estimates of cost of construction. Those costs are, of course, based on a conceptual idea; it's a conceptual estimate, in that we have no drawings. The only thing we have to go by is the master plan, which spells out the height and bulk of a building that should go on that site in terms of urban design.

We have, therefore, a number of square feet in the building that we can predict with reasonable accuracy. We have developed a cost based on so many dollars per square foot, which is indicated in that justification. We've broken it down into different categories; office area, garage area, and the mechanical penthouse and so on, which is how the costs were developed for the bill that was considered by the House committee. It's presented in so many dollars per square foot.

And those costs reflect basically a simple building on the interior. A building that would respond to the needs of the Court, but would not be a "fancy" building. It would be a simple utilitarian office building on the interior.

On the other hand, the exterior requires some embellishment, as I think everyone would agree, and the photograph in front of you is indicative of it. Both the Union Station and the Post Office building, on the west side of the Union Station building, are landmark buildings. They're on the National Register, they're historic buildings, they're buildings of some architectural beauty. They repre-

sent a certain period in design, and they're part of an urban scene that this whole square, so called, presents.

A building that goes on this site, which was part of the consideration of our master plan, needs to conform to the urban design features; it obviously needs to be architecturally appropriate. And therefore, while the interior may need to be simple, and can be simple, the exterior is going to have to have some money spent on it in order to make it appropriate for this site. It's a major site which cannot be neglected architecturally, either as an individual building or as part of the urban design. I mention that because it's reflected in these costs.

We think we've been conservative. Until, of course, we were to have the opportunity to do some design work, the costs remain in the category of conceptual.

In that regard, because it is a prominent site, and because this corner, I'll call it, or the edge of the Capitol Grounds, is contiguous to grounds which are not Capitol Grounds, but which form part of the urban scene, I took the position that if I were to proceed, or the Congress would ask me to proceed, with the building under my jurisdiction in one form or another, that even though the Commission on Fine Arts has no technical jurisdiction on the Capitol Grounds, and because this is so closely related to the area in which they do have jurisdiction, that I would ask for their comments and advice and counsel in the course of approving any design that were to be submitted for that location. It's that important that I consider we should proceed on that basis.

Having said all of that, let me just close by saying that I discussed this question with the Chief Justice. I have discussed it over lengthy periods of time beginning with the preparation of our master plan back in 1975 or 1976. So, the consideration of the needs of the Court have been a part of our concern for almost 10 years now.

I spoke with the Chief Justice very recently, just before his departure for overseas and in recognition of this hearing about to take place. I said that I intended to be very supportive of those needs, and he concurred with my statement that there is a dire need on the part of the Court for the implementation of this project in some form.

And with that, Mr. Chairman, I'll wait for questions.

Senator STAFFORD. Thank you very much, Mr. White. As I said, it will be our plan to go through all of this panel before we go back for questions. So, Mr. Riley, we'll hear from you.

STATEMENT OF JOHN RILEY, FEDERAL RAILROAD ADMINISTRATOR

Mr. RILEY. Thank you, Senator. It is a privilege to be before the Committee, and I have to say for me, personally, a great pleasure to be testifying on something other than Conrail, and particularly on Union Station.

Union Station is much more than a rail station, it's much more than a government public works project. I have always been a believer that we anchor our own lives and tie generations together with inanimate objects. And Union Station is, in my judgment, a

tangible manifestation of this Nation's history for the last three quarters of a century.

I am pleased to be able to come before the Committee this morning and report that the project, at this date, is both on time and within its budget. And let me give you a brief summary of where we are, and the landmarks we expect to cross within the next few months.

In April of 1983, the Union Station Redevelopment Corporation was formally incorporated. It's a nonprofit, private corporation structured along the lines suggested by this committee in its report accompanying the original legislation.

The Board of Directors ties together all of the interests in the project. The Secretary is represented, as am I, as head of FRA. Graham Claytor serves as President of Amtrak, as does the Mayor of Washington, and the President of the Federal City Council.

The most important act taken to date by the USRC Board was the hiring of Keith Kelly in October 1983. Keith's retention ended a nationwide search, which involved 125 potential candidates. Keith was chosen for many reasons, not the least of which was his record of accomplishment on the Crown Center project in Kansas City. In that project, he demonstrated the ability to develop a nationally known, highly successful, mixed-use complex, while working very effectively with an inner city community, a key element of the Union Station project.

After Keith's retention, the pace of work accelerated on the station. As you'll recall, some short term repairs, particularly on the portico, were necessary to preserve the condition of the station while long term development plans were completed. Those repairs were commenced and have, in fact, now been completed.

Following that, we undertook a national search to retain a construction manager, an architect, and a developer for the project. The construction manager was selected from a field of 32 candidates, a joint venture between the Gilbane Building Co. and the Sherman R. Smoot Co. An architect has been selected, Harry Weese & Associates. And a developer, a preferred developer, has been designated, and that preferred developer is Union Station venture.

We have initialed an agreement in principle with Union Station venture, and should be in a position to sign a definitive agreement with them in the very near future.

At the present time, architects Weese and Benjamin Thompson & Associates, which is the developer's architect, are working together to complete the schematic designs. An environmental assessment of the building has been completed, and it ended in a judgment of no significant environmental impact. Work is now in progress to complete the garage.

We fell behind schedule in the early days on garage completion shortly after the sky-breaking, but with the devotion of some additional resources, and very tight management by the city, that is now back on schedule. We do believe the garage will be completed by November 30, 1986, which is the target date.

We anticipate awarding a demolition contract in September, and the structural work on the project should begin by December of this year. All of this points to an opening date of January 1, 1988.

When the station is completed, the exterior facade and other historically and architecturally significant features of the project are going to be preserved. The train station will return to the interior of the building, bringing the tracks back close to their former location. Holding facilities for buses will be provided, and the commercial development in the Union Station complex will financially support the continued operation and maintenance of the complex. Except for an annual rent appropriation, which could be eliminated if the lease is bought out, we do not expect to come back to Congress for further appropriations.

We believe that the Federal Government will be able to withdraw from any active role in the operation and management of Union Station.

We are now at a point where we initialed and we are about to sign a firm agreement with the developer, and that will enable us to move to the major remaining issue, which is the use of the Architect of the Capitol site, and whether the Department will exercise the option granted to it in your legislation to request transfer of that site.

We are now evaluating that, much as the committee is today. It is our view that aesthetically, a building erected on the Architect of the Capitol site would compliment Union Station and the Post Office, which was also designed by Daniel Burnham, the architect of Union Station. That building would complete Columbus Plaza and provide a transition to the Capitol Grounds.

In business terms, development of that site would enhance the market for the station's retail tenants, which would give us an extra guarantee of security on the cash flows that have been built into our cost estimates on the Station redevelopment project.

With me today is Keith Kelly. You have heard a description of one of the options we are now considering from the architect. You'll hear a description of another from Mr. Kelly, an option developed by the Union Station Redevelopment Corporation, under which they would lease the Architect of the Capitol site to a private developer, who would erect a building consistent with USRC specifications.

The Administrative Office of the Courts would be the prime tenant of the building. And so far as I know, Mr. Chairman, there is no difference of any kind among available options about tenancy by the Courts. This building, under all options, has been designed for the Courts to use. And if there is any issue of mandate, I'm sure it's one that could easily be resolved by agreement or committee action.

I share the views expressed to date that there is a pressing need to consolidate. The offices of the Court are now scattered throughout the metropolitan area, and we understand that Chief Justice Burger does hope to consolidate their offices at a single site.

We have not made a decision on whether to exercise the rights granted to us in the statute. We are now, however, in a position to weigh the competing proposals with the development concept about to be finalized, and the two major options that we're looking at. One has been described, and I will now yield to Keith Kelly to describe the other.

Senator STAFFORD. Mr. Kelly, we'd be glad to hear from you next. And I would briefly note that I am used to listening to Kelly's because I've been married to one for nearly 50 years.

STATEMENT OF KEITH KELLY, PRESIDENT, UNION STATION REDEVELOPMENT CORPORATION

Mr. KELLY. Thank you, Mr. Chairman. I have a prepared statement for the record which I'll submit, and I will summarize my testimony.

Senator STAFFORD. Without objection we'll place it in the record.

Mr. KELLY. As John has indicated, we have achieved three of the goals, three of the four goals, that were set forth in the Union Station Redevelopment Act of 1981. First was the restoration of the station, returning the exterior and interior to its original use. With the retention of Harry Weese & Associates, we believe this will be accomplished.

The second goal was to bring Amtrak back into the station. And as I will show you in a few moments, we think they have a prominent place in the station, with a new station designed to their specifications, and one that we think will serve their needs now and in the future.

The third goal was to reduce the maintenance and operating costs of the station to the Government. And in our proposed agreement with the preferred developer, that agreement is a net, net, net deal, with the return to USRC being net of all obligations in the maintenance and operation of the station proper.

The fourth goal, getting the Federal Government out the station business, has not been achieved. And the committee, I think, will remember that the station and surrounding areas were leased by the Federal Government from the Terminal Railroad Penn Co. and Terminal Railroad Baltimore Co. for a period of 25 years that began in the year 1976, and will terminate in the year 2001, with an annual payment of $1 by the Government to get fee simple title to that property.

In the earlier hearings, testimony was offered that the revenues from the parking structure and from the retail portion of the station would be insufficient to handle the operating expenses and lease payments. And it was further suggested at that time that the revenue streams might—from squares 721 and 722, assuming a ground lease on a public-private venture with a developer, might be capitalized by either reducing the Government's expenditure—at that time $70 million to approximately $41 million—or to provide sufficient funds to payoff the outstanding lease from the railroad companies.

We believe the development of squares 721 and 722 should be undertaken as soon as practicable. The building on this site, which is directly to the right of the station, would round out the development of Columbus Plaza, a landmark. The massing, color, and design of such a structure should be done sympathetically with Daniel Burnham's design of the city post office and the Union Station. Together the three buildings provide a background for the Plaza and the city post office, and a new office building would frame the station. And I think the photograph indicates the neces-

sity of maintaining a sympathetic massing together with the city post office and the frame on the right hand side.

We also are not unmindful of the needs of the Administrative Office of the U.S. courts, and believe that those needs could be successfully integrated into the development of squares 721 and 722 by a private developer.

The committee may recall that in the executive summary and in the studies that were presented to the committee in 1981, two proposed plans were offered by Ewing Cole, Cherry Parsky, for alternate development of that particular site.

The first was a concept that included 460,000 square feet of gross building area and 510 parking spaces. A second concept suggested the development of two structures, with one structure being 317,000 square feet and the other 250,000 square feet connected by an atrium.

In the executive summary, just to not be consistent, they provided for the development of the second concept, but using net rentable area of 460,000 square feet and parking for 654 cars.

In an effort to determine conceptually what the possible results would be if such a building were constructed to both house the administrative offices of the U.S. courts, and to also provide spec office space by a developer, we made a number of assumptions and prepared a cash flow model. Incidentially, I should say that the costs that we came up with were very similar to the costs that I think Mr. White had, as reported in the press. We think those were reasonable.

We also took into account the administrative office of the U.S. courts' requirements for approximately 266,085 square feet now, of which 60,000 square feet is storage space. And we would think that that space should be constructed underground, and certainly should not be first class office space.

The Administrative Office of the U.S. courts also provided us with their future needs, which would go up to approximately 400,000 square feet of space by the year 1995.

Utilizing those assumptions, we believe that a developer could afford a ground rent to Union Station Redevelopment Corporation, or other entity, of between $2.5 and $2.9 million per annum. This income stream capitalized would provide sufficient funds to pay off the lease payments to the terminal companies, and then we would propose the balances return to the United States Treasury.

In addition we believe that we could have the administrative offices in permanent space by early 1989 with no capital cost to the Federal Government, assuming that the administrative offices are authorized to pay a market rent less the substantial discount that a large space user would be entitled to by a developer.

Security could be absolute for the building to be occupied by the administrative offices without interfering with other tenants. This could either be done by two lobbies or two buildings. We would propose that expansion for the administrative offices be provided, and that the land, with the building, would be returned to the Federal Government at the end of 30 to 35 years, depending upon the length of the lease or ground lease to be entered into.

It is possible that our corporation could achieve a greater return, and hence to the Federal Government, if it were a joint develop-

ment with the developer rather than a ground lease; whereby we would bring to the table both the land, real estate, as well as the major tenant, and in exchange for that expect to get a major portion of the net operating revenues after the payment of debt service.

Initially this might not be as profitable, but in the long term would be more profitable. And again, we would presume that if 15 years is necessary to pay off the lease, we would capitalize that portion of the ground rent to pay off the lease, which we believe can be done reasonably because a 7.5-percent mortgage today, most banks want to get back to their money at 11.5 to 12 percent.

We feel that we could do this—again, I said—at the least possible cost, or no possible cost to the Federal Government. The risk of any overruns rests on the developer, it does not rest on us. We would not make a deal where we were sharing in the costs. The return, we think is reasonable. We think we can provide a home for the administrator that would be theirs for all time, and the public-private partnership would work.

We have been assured of developer interests in this site. Both of the developers who participated in the developer selection process have indicated, in very positive terms, that they would be interested and have continued interest in this site. Other developers, both local and national, have also expressed interest in this location when the time is right for serious discussion.

I'd like now, if you wish, Mr. Chairman, to show you the plans that we have for Union Station and the concepts that we are pursuing, and also the schedule that we are going to work against.

Looking at the plan for the ground floor of the Union Station, basically to the south we have the west hall, main hall, and east hall and north of that, the main concourse, and the area in blue is the area devoted to Amtrak. The Amtrak ticket and baggage facilities are in the center, and the waiting areas for Amtrak and services are in the train concourse area, which is the train concourse being developed by the District of Columbia Department of Public Works as part of the garage concept. And we've worked carefully to integrate our plans with theirs.

The developer proposes approximately 190,000 square feet of retail space on three levels within the historic structure. And I said approximately 190 because we've been dealing with a multicinema operator, and it's gone from 6 to 10 and back to 9. However, yesterday afternoon they advised me that the deal had been complete with a theater operator on the basis of a nine miniplex cinema.

The balance of the space, the men's toilet and lounge in the old days, will be a new restaurant. In the women's waiting room and lounge, will again be a lounge, and the presidential suite and what was the old kitchen will be a third restaurant. We have approximately five restaurants in this complex.

Within the main hall you will see a circular element, which means that the PAVE hole has been filled in, and the floors will be restored to the original white marble with the red dots. The west hall, again, has the same floor as does the east hall, and it's flanked on both sides by small shops.

In the east hall the developer has proposed that there be museum quality reproductions, and perhaps stores that sell the

same things they sell in the Smithsonian and other places for high quality reproductions, not T-shirts.

In the main concourse we have retail on the north and south sides, with a large opening allowing people coming through to see the ceiling in the main concourse. It is also connected below to the lower level by escalators and stairs.

Persons going to the train have three options. One, of course, is to come through the front door, which was the original front door, walk past the central element, which will contain an information board as well as other elements of retail, through to the ticket counter where they can purchase a ticket if necessary, or if the ticket has already been purchased, they can proceed to the left or right to the longhaul trains or to the Metroliner and commuter trains.

If they were coming by Metro, they would enter, come up through the basement. We have an agreement now with Metro which will allow us to remove the third middle escalator in the existing escalators running from their mezzanine to the carries porch.

Coming into the basement from Metro, you have two choices; one would be go straight ahead and then up to this level with the escalators, or further to the north we have an additional pair of escalators which come up. People catching the commuter train could then proceed immediately to the ticket counter or to the train gates depending on their destination.

The third way to get to these trains is from the parking garage. And for that, Mr. Lindsay, if you'll drop the board we can look at the mezzanine level. The area in light green crossing the train concourse is the connection with the escalators and the east side of the parking structure now under construction. You will note there are two escalators leading down and up to the train concourse floor.

Persons coming from the garage and parking would either take the escalator down, and either be in the train concourse or go to the ticket counter to purchase a ticket, or they could walk straight across the mezzanine level and downstairs to an area right in front of the ticket counter.

Again, on this level, most of this mezzanine is retail, smaller shops with high quality goods. The developers have indicated to us that they've been in touch with the major large chains or chains that have a number of stores. And while they have not attempted to lease at this time, because the plans aren't complete, they are saying that there is interest.

The area in green surrounding the main hall will be openings cut through so that visibility exists between the concourse and the main hall. And they propose that this be cocktail or observation lounges.

Next, the lower concourse level contains the cineplex and this is the nine theatres cineplex in the basement—and the reason the figures are not complete—together with a food court element serving the fast-food operations within this particular project. Incidentally, they came with a new proposal, which we are looking at, that is much better from a design standpoint than this is.

We also have proposed what they call Metro retail, but will be retail addressed to the passengers utilizing Metro; market areas and matters of that sort.

In total, again we have 190,000 square feet of retail, 80,000 square feet of office space on three levels, on the upper part of the building in the nonhistoric area.

Senator STAFFORD. Mr. Kelly, did you say nine theatres?

Mr. KELLY. Nine theatres, yes, Mr. Chairman. It's not the largest. We have one, I think, in Washington that's going to have 12 out in Maryland, but this was their request. I thought it was a little excessive myself, but they are willing to pay the rent.

In terms of schedule, we discovered several months ago that we did have asbestos within the building, primarily in the basement and in the second, third, and fourth levels. We've had an expert company in asbestos come in and survey the building, they have confirmed the findings, and they are now preparing specifications and plans for the removal of that asbestos, and expect to have that done in the middle of August. We will bid it in the first of September, and we expect the asbestos demolition contractor to be in the Station on September 15 and take approximately 30 to 40 days to remove what asbestos there is. It was not as serious a problem as we had once thought.

Following that, and the certification that the building is clean by the contractor, we will then begin the demolition of the National Visitors Center improvements, and that will take about 2½ months. Following that, the structural work will start filling in—not filling in, but doing the structural work to support the concrete pan that will go over what is now the PAVE, and construction to the mezzanine will start.

We think the balance of the contract of the total work will go out to bid in March or April 1986, and that we will be complete by the late summer 1987.

In summary, I think then we are moving on schedule. And we are confident that if we were authorized by the Secretary of Transportation, we could move promptly to satisfy the fourth goal in the original legislation. We would like to satisfy the long-term desire of the Chief Justice, to have the administrative offices of the U.S. courts back near the Supreme Court building where they belong, at basically no capital cost to the Federal Government.

We believe that studies of the comparative cost to the Government would indicate that in the long run, the least Federal cost would be the solution we suggest. And we have some tables if the committee is interested.

We would welcome the opportunity to perform this function. And I would be happy to answer any questions at the end. Thank you very much, Mr. Chairman.

Senator STAFFORD. Thank you, Mr. Kelly. Senator Moynihan had to leave for a budget conference, which is still a very high priority item in Congress. I know Senator Humphrey may be required to leave shortly. I was going to ask him before I go to you, Mr. Mendelsohn, if he had any question he'd like to ask before Mr. Mendelsohn testifies.

Senator HUMPHREY. Thank you, Mr. Chairman. You're very courteous to permit me to precede you. I've looked through this materi-

al, it's been my first exposure to it, and I can't honestly say that I fully understand the proposal. What has just been shown us is not before the committee for decision, is that right?

Senator STAFFORD. What you've been shown is the plans for Union Station. I assume, and believe, that's a picture of the present building that we're looking at at the present time.

Senator HUMPHREY. OK, so that's just an update on where all that is.

Senator STAFFORD. That brings us up to date on what's going on with Union Station. The issue in front of us only would be a building for the Supreme Court's administrative center, but one that probably should be consistent externally, at least, with the architecture of Union Station.

Am I stating that correctly, gentlemen?

Mr. KELLY. Yes.

Senator HUMPHREY. Well, with respect then to the matter which this committee will have to decide on at some point, what are the numbers of those lots or squares, I guess they're called?

Apparently DOT is not interested at this time in developing those lots. The Architect of the Capitol has some ideas and then some private developers have an alternative set of ideas, is that correct?

Mr. RILEY. If I can comment on that, Senator, the Department of Transportation was granted a right in the legislation to request transfer. Because we have not completed until very recent days the development concept, we were not in a position to reach a decision. The Department has not decided that it is not interested. We are now at the decision point on that, so we are awaiting these competing proposals and possibly others that may be offered.

Senator HUMPHREY. Isn't there an ongoing effort to avoid housing more Government offices in town and to move those out into the suburbs? Is that not so? If we want to consolidate the court offices, why don't we move them out into the suburbs somewhere?

With all the communication advances of this day, why is it necessary to be physically present or nearby?

Senator STAFFORD. The Chair might just offer a comment there. The reason for building a building for the Supreme Court's administrative offices would be to enable or the Supreme Court to concentrate all the people that are involved with it, in an administrative capacity, in a single building. They're now scattered through five different buildings, and that makes it very inefficient for the Supreme Court according to the testimony that we've heard, and I would tend to agree.

So the issue here really is going to come down, I would say to my colleague, to how will we build the building? Do we build it through an appropriation, through the architect, or through a private builder, or through the Department of Transportation and the Redevelopment Corporation for the area? Those are the options in front of us at the present time. I don't have a clear cut thought myself on that one, which group to follow.

Senator HUMPHREY. I persist in my observation that it would be a good thing not to house more Government employees in offices downtown. If we want to put all the Court people in a building, let's do it out in the suburbs somewhere and let's get some com-

mercial development on Capitol Hill. This place is almost barren of commercial development.

I know you already have what looks like an interesting plan for Union Station, but it seems to me we ought to use those additional squares for commercial development and not more Government. I'll bet 90 percent of those Court people live in the suburbs, and they're going to be contributing to the congestion and the traffic every morning and every afternoon.

It just seems to me that we're proceeding against the effort to reduce traffic and congestion by not moving these offices out into the suburbs whenever we get the opportunity.

Has a decision been made that these are going to be offices for administrative personnel of the Court? Has that decision been firmly made?

Senator STAFFORD. The reason we're holding this hearing is obviously that the decisions have not yet been made, I would say, Senator. Maybe Mr. Macklin could comment on the desirability of having the people who do the administrative work for the Supreme Court as close to the Supreme Court as possible. They're not large in number by comparison with other agencies.

Mr. MACKLIN. As the chairman mentioned, there are needs for this group to be as close to the Supreme Court as possible. This has been one of the Chief Justice's aims.

Senator HUMPHREY. Why is that? Can you tell us why he feels so?

Mr. MACKLIN. Because of work we do with the Chief Justice. Several of my staff are up at the Supreme Court virtually daily, as I am on occasion.

Senator HUMPHREY. Well, we could move the Supreme Court out to the suburbs, how's that?

Mr. MACKLIN. I think that's in the long, long range——

Senator HUMPHREY. Move them out of the country. Mr. Macklin [continuing]. Plan of the Architect of the Capitol that they would move. There is a statutory requirement, of course, that the administrative office of the U.S. courts be in the District. Now, that can be changed, of course, but it is in the statute.

Senator HUMPHREY. Well, OK. I put in my two cents. Thank you for the opportunity. No charge for that. I'd like to see more commercial development as opposed to more Government, for whatever it's worth.

Senator STAFFORD. Thank you very much, Senator.

Mr. MENDELSOHN. Mr. Chairman, with respect, before Senator Humphrey leaves, since I'm going to be speaking to commercial development, and since you do have to leave, perhaps we can just take it as read that a good deal of what I'm going to be talking about is going to be in line with what you said, although not in every respect, Senator.

Senator HUMPHREY. Do you have prepared testimony?

Mr. MENDELSOHN. I do, and it's been submitted.

Senator HUMPHREY. May I have a copy? Thank you.

Senator STAFFORD. Mr. Mendelsohn, we called on Senator Humphrey just in time. We'd be delighted to hear from you.

STATEMENT OF ROBERT H. MENDELSOHN, PRESIDENT, MENDELSOHN ASSOCIATES, INC.

Mr. MENDELSOHN. Thank you very much, Mr. Chairman. As with my distinguished predecessors, if I may allow my testimony to be entered into the record.

Senator STAFFORD. Without objection it certainly will be.

Mr. MENDELSOHN. Thank you very much. I will attempt to summarize it as briefly as possible, while at the same time, Mr. Chairman, also showing you a couple of things that I think may help put this into context. And because we strongly believe in public-private partnership, Mr. Chairman, we're going to use the Department of Transportation's easel for our boards, if that's agreeable.

Senator STAFFORD. If nothing will be wasted.

Mr. MENDELSOHN. Nothing will be wasted. Let me quickly introduce to you a couple of the members of our team, Mr. Chairman.

A distinguished architect, Richard Giegengach, who is a partner at Skidmore, Owings, & Merrill. Skidmore is the architect for this. The developers are Walker, Urquhart & Company. Glen Urquhart, the president, is here, Walt Boreck, the project manager, is here. And CSX Resources is a limited partner and also the seller of the property. Walker, Urquhart is the contract owner of the property.

In addition, Mr. Chairman, we have a very fine telecommunications consultant, CTM, who are the prople who provide the C-SPAN feed, as a matter of fact, for the Congress and also operate the only operational microwave satellite connection in the area. And that will become important very quickly, and I'll tell you why.

Going, if I may, Mr. Chairman, to the model just briefly, Union Station is obviously at the centerpiece—you might, Bill, just quickly point out the things that I'm talking about—is obviously at the centerpiece. And we—and I guess I should te'l you, Mr. Chairman, that I am the president of Mendelsohn Associates and also a partner in this project.

We have committed to the greater Union Station complex, as evidenced by the fact that we've already put a good deal of private money into the site—that Bill will now indicate—it's some 5½ acres on which Skidmore has designed, and we are planning nearly 1,500,000 square feet, of development. 1,200,000 of that would be office development.

Now, that's important, and Union Station is critical, but it's also important, it seems to us, to see where the other elements of this particular jigsaw puzzle fit, because no single element—and certainly not Union Station, which has the least amount of square feet of all—is going to be sufficient to provide the kind of economic critical mass necessary to really make this a successful venture.

And it's not simply the Federal Government that wants to see it a successful venture, but the city of Washington feels very, very strongly—as you'll hear in just a little while—that this area needs to be one of the targeted areas for regeneration.

Another key part is the city post office immediately to the west. And it's our understanding that the Postal Service, which has done so successfully entrepreneurial projects throughout the country, is about set to go out with a request for proposals to the private sector for the redevelopment of the city post office.

Another area that is important is the area of air rights over the tracks, which is owned by Amtrak. And down the line, there will be development of those air rights. And whether it's 5 or 10 years or sooner than that, is going to depend in large part on just how successfully the other elements are and how quickly they move.

Mr. Kelly has indicated that the newly redeveloped Union Station will open its doors in January 1988. And that is terrific and welcome news. It happens to coincide precisely with when we're going to be opening the doors on that 1,500,000 square feet. It's going to be in January 1988, or approximately 30 months from today.

Senator STAFFORD. What are the buildings again that you're going to open?

Mr. MENDELSOHN. There are five buildings on our 5½ acres. They total about 1,500,000 square feet, and about 1,200,000 of that is office space, Mr. Chairman, but 200,000 is what we are terming techno-industrial space, and it's directly on the railroad tracks. There are some fascinating things about this site.

It is at the Southern terminus of the Northeast corridor, for transportation concerns. It also happens to be directly on the fiber optics line for telecommunications concerns. It also happens to have direct rail access. So, as an example, if the Federal Government or any other user, public or private, were to be interested in shipping paper, for example, directly to a printing press, you can do that directly without additional shipping costs. So that there are a variety of unique things about this site that we think are awfully important.

But the last puzzle piece to that jigsaw puzzle is the Architect of the Capitol site, which Bill is just pointing out. On the Architect of the Capitol's site, obviously the subject of this hearing, Mr. Chairman, we would propose that as we go ahead with our development, that we go ahead in partnership with the Federal Government through the Architect of the Capitol on that site. And we would propose a variety of advantages for that method of proceeding, which I will get to in just a moment after I show you a little bit more about our project, with the chair's permission.

Again, this is the overall plan of the area. The pink area is the site that we own, the blank area, just to the south of that, is the Architect of the Capitol site, and I guess we don't have to go back over all of the various points that we've already made. We know we're sitting here this afternoon in the Dirksen Building.

The proximity, both of our site and the Architect of the Capitol site, to the Senate, to the Supreme Court is, it seems to me, obvious. OK, so now we'll go to the next board, Richard, if we may.

And this shows a footprint, as it were, of our site, but also the proposed development down the line over the Amtrak air rights. Now, because shortly—and as I say, whether it's 2 years, 3 years, 5 years, or whatever—shortly that land, that area above the tracks, is going to be enormously important for Amtrak and obviously

then the Federal Government, in terms of trying to recoup some of the Federal investment in Amtrak. And there is a real opportunity to do that.

The private railroads are doing enormously well developing land in their rights of way, and there is no reason at all why Amtrak shouldn't. As a matter of fact, Amtrak is beginning to, and we think this is a marvelous opportunity.

The same way in which you would get to our site from the H Street overpass—and I think maybe if we go back to the model, I'm certain you're familiar with it, Mr. Chairman. But let me just point out that the H Street overpass, that is H Street at the area of the tracks. It then comes down to grade and goes on out into the Northeast. It's also the structure that the automobiles and buses go to when they come off of the new garage that the Union Station Redevelopment Corporation is causing to be built.

Now, if we can go back over to our drawing here. The H Street overpass, Richard, you might indicate. The city of Washington is enormously interested in a way to take H Street and kind of bring it into the rest of the community. And we are proposing that there be a deck at the H Street elevation which comes all the way through our project, serves our project as a pedestrian linkage as well as the future Amtrak development over the air rights, and eventually comes out down steps between two of our buildings, and then all the way down to F Street, which is directly across the street from the Architect of the Capitol site.

Now, we are showing—just as a suggestion for Mr. White—we are showing a proposed development on the Architect of the Capitol site, designed and developed in conjunction with ours. And I must say that I would like to associate myself with a good many of the points that Mr. White made.

There is no question but that any building, whether it's federally owned or privately owned or built as we would propose for the Federal Government with private funds—so that the Federal Government doesn't have to lay out capital expenditure—that that building needs to be designed with the utmost sensitivity in relationship to the magnificent Daniel Burnham designed Union Station, and also in relationship to this wonderful space, Columbus Plaza, which we think this development can help to enclose.

I think maybe we could—I should tell you that on the Architect of the Capitol site, we are showing the Administrative Offices of the Courts, which would be the buildings to the east, and we are also showing a building that would be enormously economically productive for the Federal Government, if, as we suggest, they decide to enter into a joint venture with us. And we think that's a magnificent site for a great hotel. A great hotel oriented to the southern terminus of the Northeast corridor, oriented a stone's throw away from the Senate and the House and the Capitol.

Just very quickly, Mr. Chairman, these are elevations, and if you were standing—Bill, show him where you'd be, pretty much where Bill's hand is—looking west, OK? That is the so-called Second Street elevation. That H Street overpass is down here to the right, and then there would be—these are the buildings I've described, and I just won't get into at great length.

There would be retail development along the first floor. That deck, that I talked about, would start at the H Street elevation and come all the way through the pedestrian deck. The design is very much in keeping with the Beaux Arts design of Burnham's building.

Let me, Mr. Chairman, if I may, summarize for the committee the advantages that we see to the approach that we're suggesting. First of all, as you said in the letter that invited us to testify, and as you said in your letter to Senator Hatfield, the goal of achieving an appropriate consolidation of offices for the administrative office of the Courts is not in question. The question is how can you do it most reasonably for the taxpayer, and how can you do it most quickly?

We believe that there is no question, that most reasonably for the taxpayer and most quickly, and most in keeping with the development that's already going ahead and needs to go ahead in order to make this an appropriate critical mass, would be to proceed down the course that we're charting out.

We will have state of the art telecommunications directly related to that fibre optics network, and to the microwave operation that's already in place by CTM. We'll have the direct rail access.

We would propose a project to the Federal Government that would require no capital expenditure. That is to say, there would not be the necessity of the Federal Government passing an appropriation bill for $50 or $60 million, or more, at the outset to build this kind of a building. As a matter of fact, not at the outset, not at anytime. Because we would propose that the private development community construct that building for the Federal Government, and that the Federal Government not lease it, but own it from the outset. Obviously they could lease it, too, at their option.

But if it's the desire of the Congress and the administrative offices of the Courts that that building be owned, then it could be owned rather than going through a lease procedure.

Senator STAFFORD. That would presume we would be paying for it, though, on completion, would it not?

Mr. MENDELSOHN. The way in which you would pay for it, there are a variety of ways, Mr. Chairman. Obviously the Federal Government would pay for what it got. But you see, you already have a tremendous value in the land that you own there.

And just as an example, if, as one of the options for proceeding, the Federal Government decided to put its land—that is to say the Architect of the Capitol site—into a joint venture, the same way in which is done in the private sector, the value of that land, period, with no dollars spent, we calculate would build 200,000 square feet of class A office space, which is approximately—without one penny of additional money—half of the administrative offices of the Courts' need. And the other half, you would in effect be paying off a mortgage on.

Let me just—I have a couple of other points and then I'll complete, if I may, Mr. Chairman. One of the points that you made, one of the points that the Chief Justice has made, is his desire to see the project completed quickly. We are proposing that this building be ready at the same time that our project is ready, which is 2 and a half years from today, 30 months from today, or to put it an-

other way, two years from the start of construction, which would be January of 1986. So that we think that both in terms of timing and dollars this is a reasonable proposal that deserves your serious consideration.

There's a very interesting point here, and that is that however the Architect of the Capitol site is developed—but particularly if it's developed with some private stimulus to the private sector—it will help to protect and enhance the incredible public investment that's already been made by the Federal Government, and by other governments, in Union Station.

If the Government decides to participate in an entrepreneurial way, they will also be able to literally recoup investment because they would share in the profits of the project.

One final point, Mr. Chairman. Parking is a nuisance. It's not something we like to talk about, but it is something that's a desperate need on Capitol Hill. And our site, in fact, has the best opportunity to provide parking not only for our needs, but also for the needs of the public and Federal employees.

Thank you very much, Mr. Chairman.

Senator STAFFORD. Thank you very much, Mr. Mendelsohn, for a very interesting presentation. Do I understand your mother is here in the hearing room?

Mr. MENDELSOHN. My mother? How nice of you to say that, Mr. Chairman. My little gray-haired mother has come in from California, she's visiting us, and she's here.

Senator STAFFORD. Well, we would like to make an exception to most of our rules and just ask your mother to stand so that we can welcome her to the hearing.

Mr. MENDELSOHN. Well, that's very kind, Mr. Chairman. Mom, would you stand up? That's very kind.

Senator STAFFORD. The Chair is going to reserve the right to Senators who were not able to be here this afternoon to submit questions in writing. I'm sure that Senator Moynihan is going to have some. Senator Humphrey may think of a few when he reflects on the matter.

And unfortunately we are running out of time. Mr. Macklin, are there compatible uses for a building that would be acceptable to the administration offices? That is, do you believe that such a mixed use, making the building more available to the public, would complement Union Station and more importantly maybe to you and the Chief Justice?

Would a mixed use of a building compromise the mission that you and the Chief Justice envisage for the Supreme Court?

Mr. MACKLIN. Our only concern would be one of security insofar as mixed use is concerned, and I think that can be met. Obviously, until such time as our organization has expanded, we would expect that there would be some mixed use.

Senator STAFFORD. All right. Do you believe the Court's project could be done as a turnkey project by private developers?

Mr. MACKLIN. Would you repeat the end of that, sir?

Senator STAFFORD. Yes. Do you believe the Court's project, that is the building, could be built as a turnkey project by private developers?

52-111 O - 85 - 3

Mr. MACKLIN. I believe it could. And as a matter of fact, I think that would be what several intend to do here.

Senator STAFFORD. All right, thank you. Mr. White, if you were to be directed to build a structure on the two squares, would you object to being also directed to integrate your design and your development with surrounding developments to make certain the taxpayers obtain a truly integrated building in that particular area?

Mr. WHITE. Mr. Chairman, I always follow the direction of the Congress, whatever it may be. I'd be happy to do that.

Senator STAFFORD. Well, that's an answer that will hardly offend the chairman of this committee. Mr. Riley, what is your estimate of the cost of building an administrative building as we've described it thus far, adjacent to the Union Station? Or if Mr. Kelly wishes to answer that instead.

Mr. RILEY. I believe that the estimates we've done are very close to those that the architect has done. We have a rather detailed sheet on that which we'd be pleased to submit for the record. Keith, you might just want to hit one or two high points on it.

Mr. KELLY. Actually, I believe it's attached to my testimony, Mr. Chairman. The total cost, hard costs and soft costs, on our estimate is approximately $59 million. I think that's close to Mr. White's estimate of $60 million that he had with the $10 million contingency, with a total of $70.5 million.

Senator STAFFORD. All right. The chairman of this committee, having served now for several years as the chairman of the building commission for the Hart Building, is aware that the cost of buildings does seem to go up as we go along. It would be, I suppose, lower inflation rates that we've been enjoying recently would help keep the cost down.

And it would be my thought that an imperative—once the design had been agreed upon would be not to change it, and build the building conceived, because it's changes in architectural design that often run costs of a building into the stratosphere and get we Senators blamed for building a Taj Mahal.

Mr. Mendelsohn, the City Post Office is on the other side of Union Station. As a planner and developer, do you believe the conversion of the City Post Office into an industrial computer annex for the Congress would be a suitable use of that structure?

Mr. MENDELSOHN. No, sir. Since you asked I must tell you, I do not think so. I think that the City Post Office is a marvelous opportunity for very high grade office and some retail space, and ought to be used for that. The Postal Service has done, as I mentioned earlier, an excellent job in public-private partnerships throughout the country, and I would they'd be allowed to go ahead and do that here.

Senator STAFFORD. All right, thank you very much. I think you've given the committee a lot to think about, gentlemen. We appreciate it very much, and we'll thank you for being here with us today.

Mr. RILEY. Thank you. Senator, if I might correct a procedural defect. I had summarized my opening statement, and I believe I neglected to request consent to put the full text in the record, and I so request.

Senator STAFFORD. Well, we would do that for you anyway, but without objection we'll make sure we've done it. We do have three more witnesses this afternoon, who we would invite now to come to the witness table. Mr. James T. Coe, Director, Office of Real Estate and Buildings Department, U.S. Postal Service; Mr. Fred L. Green, Director of the Office of Planning, District of Columbia; and Mr. William R. Lawson, Assistant Commissioner of Public Buildings for Design and Construction.

And Mr. Coe will be accompanied by Mr. Dennis A. Warmsley, who is the General Manager, Realty Utilization and Disposal Division, Real Estate and Buildings Department of the Postal Service.

Gentlemen, I apologize for this, but due to another engagement of the chairman, we're going to have to ask you to each summarize in 5 minutes, if you can do that. Your full statements, without further adieu and without objection—and I see nobody here to object—will be placed in the record.

I'm going to start on the opposite side this time. Mr. Coe, why don't we start with you?

STATEMENT OF JAMES T. COE, DIRECTOR, OFFICE OF REAL ESTATE AND BUILDINGS DEPARTMENT, U.S. POSTAL SERVICE, ACCOMPANIED BY: DENNIS A. WARMSLEY, GENERAL MANAGER, REALTY UTILIZATION AND DISPOSAL DIVISION, REAL ESTATE AND BUILDINGS DEPARTMENT, U.S. POSTAL SERVICE

Mr. COE. Mr. Chairman, thank you. I am James T. Coe, Director, Office of Real Estate. Dennis Warmsley is with me. The Postal Service is here today to express our interest in square 721 and 722. I would summarize that much as an interested neighbor at a zoning hearing.

We certainly have plans for our building, for the issuance of a request for proposals. This is in consonance with our planning for the Washington General Mail Facility, where the economics of that proposal were tied to the revenues that we expect to obtain from redevelopment of the city Post Office property.

We feel that the sensitive redevelopment of square 721 and 722, along with the city Post Office, are compatible with the Union Station redevelopment efforts. And we look forward to being an exciting part of that. Our request for a proposal should be public within 3 to 6 weeks.

At that point, I'll defer to any questions, sir.

Senator STAFFORD. Well, thank you very much, sir. And the brevity of your statement would due credit to Calvin Coolidge.

Mr. Lawson, we'd be glad to hear from you next.

STATEMENT OF WILLIAM R. LAWSON, ASSISTANT COMMISSIONER OF PUBLIC BUILDINGS FOR DESIGN AND CONSTRUCTION, GENERAL SERVICES ADMINISTRATION

Mr. LAWSON. Thank you, Mr. Chairman. I'm pleased to have an opportunity to testify before the committee today. I'll make my statement very brief since you have entered it for the record.

The General Services Administration supports consolidation of the Administrative Office of the U.S. Courts into a single facility. In September 1984, GSA submitted a prospectus for consolidation

of the Administrative Office of the Courts, in a leased location which is still pending. The offices to be consolidated under this prospectus are currently housed in six locations in the District of Columbia.

A building located near Union Station would be convenient to the Supreme Court building. It would promote organizational and operational efficiency by reducing administrative costs and duplicate facilities in separate locations.

We would support the Architect of the Capitol, or any other organization, in the construction of a facility to house the Administrative Office of the U.S. Courts, if construction of a building for these purposes was mandated.

I'll be pleased to answer any questions you may have, Mr. Chairman.

Senator STAFFORD. Thank you very much, sir. Mr. Green, we'd be glad to hear from you.

STATEMENT OF FRED L. GREEN, DIRECTOR OF THE OFFICE OF PLANNING, DISTRICT OF COLUMBIA

Mr. GREEN. Thank you very much, Mr. Chairman. I do have a few prepared remarks. I appear on behalf of the Mayor, who was unable to attend today. First of all, I am pleased to join you this afternoon to share with you the District of Columbia's support for the development of square 721 and 722. The District of Columbia welcomes the opportunity to participate in any public-private initiative in this area.

As has been stated, there are a couple of major activities underway, and we feel that the development of these two squares is definitely going to compliment them.

This project, we feel, will generate a catalytic impact on the economic development potentials of the Union Station area. One of the District of Columbia goals is to emphasize public-private partnerships in major economic developments projects such as this one.

We understand that the squares will be used for the Administrative Offices of the Federal Courts. In our view, after carefully reviewing the District of Columbia's comprehensive plan, an initiative is underway by the Union Station Redevelopment Corporation. We find this use to be appropriate for these squares.

We think that as these squares are designed, some retail uses should also be included. The retail uses could provide additional services to the employees and the nearby residents.

As you know, squares 721 and 722 are part of a much larger Union Station impact area. Over the years, the District of Columbia has given focussed attention to the revitalization of this area. To this effect, the District of Columbia recently enacted comprehensive plan designates the Union Station area as a major economic development opportunity area. The District, consequently, is very much interested in its future development.

During the mid 1970's, the District worked very closely with the Architect of the Capitol on the master plan for the U.S. Capitol Grounds. A significant part of this master plan and effort was the delineation of specific uses for each of the parcels within the juris-

diction of the Architect of the Capitol. The proposed use is consistent with that effort.

In closing, I would like to say that the District recognizes that, as part of its role as the Nation's Capital, the Congress and the Supreme Court need to have suitable and functional space. At the same time, we have concern with the impact of congressional expansion on the surrounding communities and on the District's tax base.

We hope that the future development of these squares will follow the development guidelines established in the Capitol Hill interest district, and in the comprehensive plan.

Once more, I wish to express strong support for the development of squares 721 and 722, and I'll be happy to answer any questions you have.

Senator STAFFORD. Thank you very much, gentlemen. I think we're going to submit questions to all three of you in writing, if that's agreeable, since other members of the committee haven't been able to be here. And when they've reviewed the testimony today, I think they will have questions. So, it's not in the lack of interest that we're not asking you questions now, but a chance for us to reflect on what we've heard.

We appreciate your being here. And with that, we're going to declare this meeting of the committee adjourned.

[Whereupon, at 3:40 p.m. the hearing was adjourned.]

[Statements submitted for the record follow:]

STATEMENT
OF

JAMES E. MACKLIN, JR.
EXECUTIVE ASSISTANT DIRECTOR
ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS

Mr. Chairman and Members of the Committee:

As Executive Assistant Director of the Administrative Office of the United States Courts, I appear before you today in connection with your consideration of "alternatives for the development of Squares 721 and 722 in the District of Columbia". We strongly support development of that property on behalf of the administrative agencies of the judicial branch.

Since this is my first appearance before this Committee - - although my fifth in the last three years concerning the space problems of the administrative agencies of the federal judiciary - - let me give you a bit of background.

The Administrative Office Act of August 7, 1939, removed the control of funding, budget accounting, and other details of judicial administration from the Department of Justice and vested it within the judicial branch. The creation of the Administrative Office was one element in the establishment of a system of judicial self-government which continues to operate today. Under this system, policy is made by the Judicial Conference of the United States, under the chairmanship of the Chief Justice, and is implemented within each of the thirteen circuits under the supervision of the circuit judicial councils. The information upon which the councils rely to make their decisions, as well as myriad support services, are provided by the Administrative Office. These administrative duties

include budget preparation; some degree of supervision over the clerical staffs of the courts, probation officers, bankruptcy judges, United States magistrates, reporters, and other court personnel; the audit and disbursement of money for court operations; the compilation and publication of statistics on the volume and distribution of business in the courts; the provision of a professional secretariat and legal and statistical services to committees of the Judicial Conference; and the study of court procedures under the direction of and for the Judicial Conference, and for other interested groups including committees of the Congress.

The research and development arm of the federal judiciary is the Federal Judicial Center, established by the Congress in 1968. Under the supervision of a Board chaired by the Chief Justice, the Center conducts research and studies on the operation of the courts of the United States; develops recommendations for the improvement of the administration and management of the courts; and develops and conducts training programs for judicial branch personnel.

The Administrative Office and the Federal Judicial Center are relatively small agencies by federal government standards, with fewer than 750 employees between them. However, the Administrative Office currently houses personnel at five different locations in the Washington, D.C. metropolitan area, while the Center occupies three different locations. In

addition, the judicial branch printing and storage facility is located in Forestville, Maryland. For more than a decade, the Chief Justice has sought to consolidate the two agencies in a single facility in close proximity to the Supreme Court, along with the headquarters of the Judicial Conference, and satellite groups such as the Offices of the Clerks of the Judicial Panel on Multidistrict Litigation and the Board of Certification for Circuit Executives.

As you know, Mr. Chairman, the Master Plan for the United States Capitol, dated 1981, envisions the construction of a building for the judicial branch on Squares 721 and 722 adjacent to Union Station. On May 15, 1985, the House Committee on Public Works and Transportation favorably reported to the full House H.R. 2416, a bill to direct the Architect of the Capitol to construct just such a building on that site on our behalf. As I understand it, federal construction is only one of several options this Committee is considering for development of Squares 721 and 722, including construction in conjunction with the Union Station redevelopment project, or in cooperation with the private sector and the District of Columbia.

I welcome the opportunity to make the judiciary's position on this matter perfectly clear. Our current situation is critical. As the House Public Works Committee noted (H. Rpt. No. 99-119, 99th Cong., 1st Sess., p. 2), the geographical dispersal

under which we are forced to operate severely impairs, on a daily basis, our ability to serve the courts. The administrative agencies of the judiciary must be consolidated, and as quickly as possible, in a single location proximate to the Supreme Court.

The Master Plan and the House Public Works Committee have recognized that Squares 721 and 722 would be ideal for our purposes. The House Committee opted for federal construction on Squares 721 and 722 by the Architect of the Capitol, and we have endorsed that choice. In 1982, when it was proposed that Squares 721 and 722 be developed for us by the Secretary of Transportation in conjunction with the redevelopment of Union Station, we stated that such development "could meet [our] requirements very well indeed". This Committee is apparently also willing to consider as an alternative a lease-purchase arrangement with private sector involvement, and we could support that as well. In short, the method and financing of the construction of this building is obviously a matter for Congressional determination and upon which we defer to you. Our primary concern, as the Chief Justice advised Chairman Hatfield by letter last month, is that we need a building for the administrative agencies of the judicial branch on Squares 721 and 722 "in a reasonable period of time and at the lowest cost possible". Consequently, we very much appreciate your scheduling this hearing so promptly after House Committee action, allowing all interested parties to air their views, and we urge you to proceed with all due speed.

We take this opportunity to make a few observations.

- Should Congress authorize federal construction, we believe that, in light of the location of this property on Capitol Hill grounds, construction should proceed under the auspices of the Architect of the Capitol rather than the General Services Administration.

- If construction of the building is financed with private funds, the facility should revert at the end of a term of years to the jurisdiction of the Architect of the Capitol.

- In the event a lease-purchase arrangement is selected, the Architect of the Capitol should be authorized to lease on our behalf. There is doubt as to whether the Architect can do so under existing law, and legislation conferring that power on the Architect would be in order.

- As is appropriate for a Capitol Hill facility, the physical plant support services should be provided by the Architect.

- The new building, when completed, would enable us to provide badly-needed storage space for the Clerk of the Supreme Court and, if necessary, to house retired Supreme Court justices. The security problems inherent in housing justices of the Supreme Court, as well as our own personnel, dictate that both security and custodial services be provided by the marshal of the Supreme Court, whether the building is government-owned or leased.

The Chief Justice has asked that I express his personal appreciation to the Members of this Committee for your attention to this matter.

The Judiciary
Justification for Construction
of an Office Building

Proposed Appropriation Language

THE JUDICIARY

CONSTRUCTION OF AN OFFICE BUILDING
FOR THE JUDICIARY

For an amount to enable the Architect of the Capitol to construct a building on the United States Capitol Grounds to provide office space for the Judicial Branch, $5,500,000 to remain available until expended.

PROJECT TOTALS
(Includes $65,000,000 construction funds)

OBLIGATION AND OUTLAY SCHEDULE

	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
Obligations....	$500,000	$5,000,000	$65,000,000	.....	.....	.....
Outlays.....	$100,000	$5,400,000	$26,500,000	$25,500,000	$8,000,000	$5,000,000

Construction of an Office Building for the Judicial Branch

Funds in the amount of $5,500,000 were requested to be included in the fiscal year 1985 supplemental to provide for feasibility studies, preliminary test work, engineering and design and administrative costs for an office building for the Judicial Branch. These funds were not included in the bill, pending further investigation into the possible uses of Squares 721 and 722. The following narrative describes the use of Squares 721 and 722 as a site for a proposed building for the Judiciary.

Background

The Judiciary's building needs arise out of space necessary for consolidating the activities of organizations of the Judiciary, including the Administrative Office of the United States Courts, the Federal Judicial Center, the headquarters of the Judicial Conference of the United States, and satellite groups such as the Offices of the Clerks of the Judicial Panel on Multidistrict Litigation and the Board of Certification for Circuit Executives. Further, space should be available to provide chambers for retired Supreme Court Justices, and provide storage space for the Clerk of the Supreme Court.

The Administrative Office of the Courts currently houses personnel at five different locations in the Washington, D.C. Metropolitan Area, while the Federal Judicial Center occupies three different locations; in addition, the Judicial Branch printing and storage facility is located in Forestville, Maryland. The geographical dispersal severely hampers, on a daily basis, the efficiency and effectiveness of both agencies. The Judicial Conference of the United States takes note of the fact that having these separate offices creates a major obstacle to the achievement of efficiency and productivity and an undesirable hindrance to the necessary oversight required of the Chief Justice. Last year, the Judicial Conference of the United States unanimously approved a resolution endorsing the construction of a Judicial Branch building on the Capitol Grounds.

Background (continued)

The Administrative Office of the Courts was located in the Supreme Court Building until the 1950's when it outgrew the available spaces. Presently, the Supreme Court Building contains 392,000 square feet. The Administrative Office currently occupies 157,145 square feet; the Federal Judicial Center occupies 32,644 square feet of space; the Judicial Panel on Multidistrict Litigation occupies 3,090 square feet of space, for a total of approximately 193,000 square feet of space. The General Services Administration currently assesses the Judicial Branch over $2.9 million on an annual basis for use of the aforementioned space. However, on September 14, 1984, the General Services Administration transmitted to the Congress a prospectus which proposed a partial consolidation of several organizations of the Judicial Branch in 172,572 square feet of space to be leased for a ten year period at an estimated cost of $51,771,600. Approximately 226,000 square feet of space would be necessary to effect a total consolidation of the administrative agencies of the Judiciary, taking into account projected personnel increases through fiscal year 1986 and urgently needed conference and training space.

In light of the fact that the Master Plan for the United States Capitol proposes that a building be located on Square 721 and Square 722, east of Union Station, for use by the Judicial Branch, and because of the high cost associated with housing the Judicial Branch in leased space, construction of a Federal Building to house organizations of the Judicial Branch is warranted.

In response to the need for construction of a new building, the House Committee on Public Works and Transportation, in concert with the Administrative Office and the Architect of the Capitol, developed a bill (H.R. 2416) to achieve that purpose.

The Judiciary
Justification for Construction
of an Office Building (continued)

Background (continued)

The provisions contained in the bill direct the Architect of the Capitol in consultation with the Chief Justice of the United States to construct an office building for the judicial branch of the Federal Government to be located on a portion of the United States Capitol Grounds near Union Station. The building is to provide office and storage space, and other facilities necessary for the administration and operation of the judicial branch. The Architect of the Capitol shall complete feasibility studies, engineering, design and cost estimates for construction of the building, and shall transmit a report on the result of his findings to the Committee on Rules and Administration of the Senate and to the Committee on Public Works and Transportation of the House of Representatives.

Other provisions prohibit the Architect of Capitol from entering into any contract relating to construction of the building until the aforementioned committees are in receipt of the report. Further, no change may be made in the plans, specifications, or cost estimates transmitted to the committee, which if carried out, would cost more than $100,000 or result in a delay of more than 30 days.

Upon completion of the building, the structural and mechanical care shall be the responsibility of the Architect of the Capitol and all other duties and work required for the domestic care and custody of the building shall be performed by the Marshal of the U.S. Supreme Court. The Architect of the Capitol is directed on a six-month basis to submit a report on the status of construction of the building.

H.R. 2416 authorizes to be appropriated to the Architect of the Capitol $5.5 million for the fiscal year ending September 30, 1985, necessary to carry out feasibility studies, and design for construction of the building. Lastly, there is authorized to be appropriated to the Architect of the Capitol sums in the amount of $65 million for fiscal years beginning after September 30, 1986, for construction of the building.

The Judiciary
Justification for Construction
of an Office Building (continued)

Background (continued)

The House Committee on Public Works and Transportation pointed out that the General Services Administration had recommended that the judicial needs be met by leasing space in the Washington area; however in light of the fact the master plan for Capitol Grounds envisioned construction of a building for the judicial branch and as a necessity to accommodate the Supreme Court, the Committee felt that construction of a Government owned building was a prudent and more economical action to take.

Proposed Building

As currently envisioned the building would house the Administrative Office of the United States Courts, the Federal Judicial Center, the headquarters of the Judicial Conference of the United States, and satellite groups such as the Offices of the Clerks of the Judicial Panel on Multidistrict Litigation and the Board of Certification for Circuit Executives. It would also permit the construction of several chambers for retired Supreme Court justices, when the need arises, and provide badly-needed storage space for the Clerk of the Supreme Court. Location adjacent to Union Station, and therefore proximate to the Supreme Court, would be ideal.

The two largest Judicial Branch agencies, the Administrative Office, and the Federal Judicial Center, are relatively small agencies by Federal Government Standards, with fewer than 750 employees in total. Yet the Administrative Office currently houses personnel at five different locations in the Washington, D.C. metropolitan area, while the Federal Judicial Center occupies three different locations; in addition, the Judicial Branch printing and storage facility is located in Forestville, Maryland. Needless to say, this geographical dispersal severely hampers, on a daily basis, the effectiveness of both agencies.

Further, the current housing plan of the Administrative Office, the Federal Judicial Center, and the Judicial Panel on Multidistrict Litigation has been proposed by the GSA to be changed. Because Congress has essentially frozen the Standard Level User Charge (SLUC), billings for 193,000 square feet of space for these agencies have been held to approximately $2,900,000. The General Services Administration has asked for a substantial SLUC increase for the fiscal year 1987. The following table illustrates the current housing plan and its associated costs, using first quarter 1985 SLUC billings.

The Judiciary
Justification for Construction
of an Office Building (continued)

CURRENT HOUSING PLAN

Administrative Office:	Occ. Sq. Ft.	Office Space	Annual Cost	Lease Expires
Lafayette (811 Vermont Ave., N.W.)	55,771	49,071	$ 638,790	Govt-owned
1100 17th St., N.W.	12,655	9,685	$ 356,039	3/31/85
1120 Vermont Ave., N.W.	28,098	28,098	$ 715,937	1/28/86 6/30/86
1121 Vermont Ave., N.W.	1,085	1,085	$ 19,921	1/22/92
719 13th St., N.W.	23,520	23,520	$ 311,640	5/31/85
Cryden Ctr., Forestville, Md.	36,016	.....	$ 256,434	2/4/86
Subtotal	157,145	111,459	$2,298,761	
Federal Judicial Center:				
1100 17th St., N.W.	7,203	7,203	$ 191,528	3/31/85
719 13th St., N.W.	5,290	5,290	$ 70,092	5/31/85
Dolley Madison House/Cosmos Club	16,485	13,075	$ 248,689	Govt-owned
Cryden Ctr., Forestville, Md.	3,666	.....	$ 26,284	2/4/86
Subtotal	32,644	25,568	$ 536,593	
Judicial Panel on Multidistrict Litigation:				
1120 Vermont Ave., N.W.	3,090	3,090	$ 78,733	1/28/86
Total	192,879sq.ft.	140,117sq.ft.	$2,914,087	

The Judiciary
Justification for Construction
of an Office Building (continued)

Proposed Building (continued)

The proposed Judicial Branch housing plan for all the components that are contemplated to be housed in the new building calls for a need of approximately 266,085 net square feet or approximately 354,000 gross square feet of office space using projected fiscal year 1986 personnel figures. By 1991, when a new facility could be completed, based upon a conservative expansion factor of 4 or 5% per year, the need will be approximately 300,000 occupiable or approximately 400,000 gross square feet. The administrative Office estimates that further space will be needed beyond fiscal year 1991. As the Master Plan proposes that a building of approximately 452,000 gross square feet would be appropriate for the site in question, conceptual estimates have been prepared using this figure.

The Administrative Office (which represents more than eighty percent of the personnel to be consolidated) has grown at a steady six percent per year over the last decade. That growth will continue.

Cost Estimate

Based on the estimated gross square feet needs, and additional requirements for parking, mechanical areas and other work, a conceptual estimate was prepared. A conceptual estimate is not based on exact material quantities or specific drawings, but assigns a dollar value to certain types of space using an accepted general idea or understanding of what the final construction will be. As design and engineering take place, and specific drawings are detailed, more accurate take-off estimates can be made.

The following table indicates the dollar values used to develop the conceptual estimate for the proposed building.

CONCEPTUAL ESTIMATE OF COST OF CONSTRUCTION
OF AN OFFICE BUILDING FOR THE
JUDICIAL BRANCH OF THE FEDERAL GOVERNMENT

Description	Gross Square Feet	Cost Per Square Foot	Amount
Office	452,000	$ 90	$40,680,000
Garage	167,000	$ 55	9,185,000
Penthouse (Mechanical)	8,000	$ 30	240,000
Basic Construction Cost, Building			$50,105,000
Exterior Plaza and Related Work			3,000,000
Total Construction Cost			$53,105,000
Construction Management (5% of Construction Cost)			2,655,000
Escalation (6% p.a. compounded) to Mid-Point of Construction (1987)			9,240,000
Total Construction Cost			$65,000,000
Architectural/Engineering Fees			5,500,000 *
Total Project Cost			$70,500,000

* This amount will provide for test borings, and other preliminary test work, feasibility studies, engineering, design and administrative costs.

Cost Benefit Analysis

There are substantial savings which would be achieved during the next 10 years if the Administrative Office were to have its own building. Although the following cost projections prepared by the Administrative Office of the Courts do not include inflation, they do anticipate an increase in personnel of approximately 50 percent during that period of time which is in line with the historical pattern of personnel increases with these offices.

The Administrative Office, the Federal Judicial Center, and the Judicial Panel on Multidistrict Litigation currently occupy 192,879 net square feet of space in seven different buildings. It is estimated that actual needs total approximately 226,000 square feet to accommodate an expected increase in personnel in fiscal year 1986 and to provide badly needed conference and training areas. An additional 40,000 square feet is required for the Supreme Court. Assuming that occupancy by these organizations in the new building would take place in fiscal year 1991, and using projections based upon the more conservative present space allocation, rather than the actual needs noted above, it is estimated that there would be a total gross savings in rental costs accrued of $32,319,000 by the end of fiscal year 1996.

Over the following six fiscal years, that savings figure would more than double, to over $65,000,000. Thus, by the year 2001, the savings in rental costs would equal the conceptual cost estimate for a new building. Since the building will have a useful life expectancy of 75 - 100 years, it is clear that construction is more cost beneficial than continuing to lease space for these court offices. It also compares very favorably to the costs for the projected partial consolidation of the Judiciary under GSA's ten year leasing plan. Under that plan, the leased cost for approximately 172,000 net square feet of space for ten years would amount to $52 million. In contrast, for a total cost of $70.5 million, the government would own a building twice the size with a 100 year projected useful life expectancy.

The following table, supplied by the Administrative Office of the Courts, establishes the basis for these cost projections.

SPACE REQUIREMENTS OF THE
ADMINISTRATIVE OFFICE OF THE U.S. COURTS,
FEDERAL JUDICIAL CENTER, AND JUDICIAL PANEL
ON MULTIDISTRICT LITIGATION - 1986 TO 1996

Fiscal Year	Square Feet[1]	Space Rental Cost of Current Housing Plan[2]	
1986	193,000	$ 2,900,000	
1987	203,000	3,909,000	
1988	213,000	4,104,000	
1989	222,000	4,310,000	
1990	235,000	4,525,000	
1991	246,000	4,752,000	
1992	259,000	4,989,000	
1993	272,000	5,238,000	
1994	285,000	5,500,000	$32,319,000 savings for six years
1995	299,000	5,776,000	
1996	314,000	6,064,000	

[1] The net square footage in this estimate excludes space to be occupied by the Supreme Court. A five percent annual increase in space which is projected here will accommodate a projected 50 percent increase in personnel from 1986 to 1996.

[2] Based on General Services Administration charges for 1987.

The Judiciary
Justification for Construction
of an Office Building (continued)

Supplemental Requested

H.R. 2416 was approved unanimously by the House Committee on Public Works and Transportation on May 15, 1985. The Architect of the Capitol then forwarded a supplemental budget transmission to the the Office of Management and Budget on May 20, 1985. The supplemental request was for $5,500,000, which was in conformance with Sec. 5 (a) of H.R. 2416, and would have provided for test borings and other preliminary test work, feasibility studies, engineering, design and administrative costs for construction of the building. These funds were requested on a "No Year" basis.

TESTIMONY OF JOHN H. RILEY
FEDERAL RAILROAD ADMINISTRATOR
BEFORE THE SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
CONCERNING DEVELOPMENT OF SQUARES 721 AND 722
TOGETHER WITH REDEVELOPMENT OF UNION STATION
JULY 17, 1985

MR. CHAIRMAN, I AM PLEASED TO BE HERE THIS MORNING TO UPDATE THE COMMITTEE ON OUR PROGRESS IN REVITALIZING WASHINGTON'S UNION STATION.

I WILL ALSO ADDRESS THE ADMINISTRATION'S VIEWS ON THE MERITS OF INCLUDING THE ARCHITECT OF THE CAPITOL'S SITE AS PART OF THAT PROJECT. WITH ME THIS MORNING IS KEITH KELLY, PRESIDENT OF THE UNION STATION REDEVELOPMENT CORPORATION. MR. KELLY WILL DISCUSS USRC'S ACTIVITIES IN GREATER DETAIL AND GIVE YOU A PROFESSIONAL REAL ESTATE DEVELOPER'S VIEW OF THE PROSPECTS FOR DEVELOPING THE ARCHITECT OF THE CAPITOL'S SITE.

I AM PLEASED TO BE ABLE TO REPORT THAT REDEVELOPMENT OF UNION STATION IS ON SCHEDULE AND WITHIN BUDGET. WE ARE CONFIDENT THAT THE PROJECT CAN BE COMPLETED AS PLANNED WITHIN THE FUNDING AMTRAK HAS COMMITTED, AND PROJECT COMPLETION OF CONSTRUCTION IN 1987. THE GRAND OPENING OF THE RETAIL CENTER MIGHT BE SOMEWHAT LATER THAN COMPLETION OF CONSTRUCTION BECAUSE THE DEVELOPER WILL WANT TO OPEN DURING A PEAK SHOPPING SEASON.

SINCE FUNDING WAS ANNOUNCED IN MARCH OF 1983, THE STRUCTURE NECESSARY TO COMPLETE THE PROJECT WAS GRADUALLY BEING PUT IN PLACE. IN APRIL OF 1983, THE UNION STATION REDEVELOPMENT CORPORATION WAS FORMED TO MANAGE THE PROJECT. USRC SERVES AS THE VEHICLE TO BRING TOGETHER THE DIVERSE PARTICIPANTS IN THE PROJECT--AMTRAK, THE DISTRICT OF COLUMBIA, THE FEDERAL CITY COUNCIL, THE FEDERAL RAILROAD ADMINISTRATION, AND THE SECRETARY OF TRANSPORTATION. EACH PARTICIPANT IS REPRESENTED ON USRC'S BOARD OF DIRECTORS. COOPERATION AMONG THE BOARD MEMBERS HAS BEEN EXTRAORDINARY, AND THAT SPIRIT OF COOPERATION IS LARGELY RESPONSIBLE FOR THE PROGRESS MADE TO DATE.

IN OCTOBER OF 1983, AFTER A NATION-WIDE SEARCH THAT GENERATED 125 CANDIDATES, THE BOARD HIRED KEITH KELLY AS PRESIDENT OF USRC. KEITH IS BOTH A LAWYER AND A DEVELOPER. HE WAS RESPONSIBLE FOR THE CROWN CENTER REDEVELOPMENT IN KANSAS CITY BEFORE COMING TO USRC. AT CROWN CENTER, HE DEMONSTRATED THE ABILITY TO DEVELOP A NATIONALLY KNOWN AND HIGHLY SUCCESSFUL MIXED-USE COMPLEX WHILE WORKING VERY EFFECTIVELY WITH AN INNER CITY COMMUNITY. EARLIER IN HIS CAREER, KEITH WAS A PARTNER OF LARRY SMITH & COMPANY AND AN ASSOCIATE AT AWALT, CLARK & SPARKS HERE IN WASHINGTON.

AFTER RETAINING KEITH KELLY, USRC CONDUCTED NATIONAL COMPETITIONS FOR THE PROJECT'S DEVELOPER, ARCHITECTS, AND CONSTRUCTION MANAGER. THE PREFERRED DEVELOPER IS UNION STATION VENTURE, A JOINT VENTURE AMONG EQUITY ASSOCIATES/LASALLE PARTNERS, WILLIAMS JACKSON CAVANAUGH, AND BEN THOMPSON & ASSOCIATES. I ANTICIPATE THAT USRC WILL COMPLETE NEGOTIATIONS AND SIGN A FIRM AGREEMENT WITH UNION STATION VENTURE IN THE VERY NEAR FUTURE. FIRM AGREEMENTS HAVE BEEN REACHED WITH THE ARCHITECT, HARRY WEESE & ASSOCIATES, FOR DESIGNING THE REHABILITATION OF UNION STATION AND WITH THE CONSTRUCTION MANAGER, A JOINT VENTURE OF THE GILBANE BUILDING CO. AND THE SHERMAN R. SMOOT CO.

USRC'S ARCHITECTS AND THE DEVELOPEP'S ARCHITECTS ARE NOW COMPLETING THEIR SCHEMATIC DESIGNS. THEIR CONCEPT DESIGNS HAVE BEEN THE FOUNDATION FOR OUR ENVIRONMENTAL ASSESSMENT.

THAT ENVIRONMENTAL ASSESSMENT IS COMPLETED, AND IT RESULTED IN A FINDING OF NO SIGNIFICANT IMPACT. IN THE COURSE OF THE ENVIRONMENTAL REVIEW PROCESS, USRC PRESENTED ITS PLANS TO THE NATIONAL CAPITAL PLANNING COMMISSION, THE DISTRICT OF COLUMBIA HISTORIC PRESERVATION OFFICER AND THE HISTORIC PRESERVATION REVIEW BOARD THAT ADVISES HER, THE FINE ARTS COMMISSION, THE ADVISORY COUNCIL ON HISTORIC PRESERVATION, AND THE DEPARTMENT OF THE INTERIOR. WITH THEIR COOPERATION AND ASSISTANCE, WE ARE CONFIDENT THAT THE COMMERCIAL DEVELOPMENT USV WILL PROVIDE IN UNION STATION WILL BE ENTIRELY COMPATIBLE WITH THE HISTORIC CHARACTER OF THE BUILDING.

THE ENGINEERING SURVEY SUBMITTED TO CONGRESS IN DECEMBER 1982 SHOWED THAT INTERIM STRUCTURAL AND ELECTRICAL REPAIRS WOULD BE NEEDED TO PRESERVE THE BUILDING WHILE PLANNING FOR THE COMPLETE RESTORATION WAS IN PROGRESS. THE INTERIM REPAIRS ARE NOW COMPLETED AND THE BUILDING IS IN NO DANGER OF FURTHER DETERIORATION, AT LEAST FOR THE PRESENT.

THE DISTRICT OF COLUMBIA IS COMPLETING THE PARKING GARAGE BEHIND THE STATION, TOGETHER WITH A STRUCTURE LINKING THE GARAGE TO THE STATION CONCOURSE. CONSTRUCTION IS WELL ALONG.

THE NATIONAL PARK SERVICE WILL SOON COMPLETE THE ROOF REPAIRS IT UNDERTOOK AND WILL SOON PROVIDE PLANS FOR RECONSTRUCTION OF THE STORM WATER DRAINAGE SYSTEM IN UNION STATION. USRC WILL AWARD AND MANAGE THE CONSTRUCTION CONTRACT FOR THAT SYSTEM WITH PARK SERVICE FUNDS.

IN SHORT, THE INTERIM REPAIRS HAVE BEEN COMPLETED AND, WITH THE EXCEPTION OF THE CONSTRUCTION CONTRACTOR WHO WILL BE SELECTED COMPETETIVELY WHEN THE DESIGN IS FINISHED, THE KEY PARTICIPANTS IN THE REDEVELOPMENT PROJECT ARE ON THE JOB. KEITH KELLY WILL ELABORATE ON OUR PLANS FOR THE STATION, AND THE SCHEDULE ON WHICH WE INTEND TO IMPLEMENT THEM.

ONE ELEMENT OF THE UNION STATION COMPLEX NOT YET IN PLACE IS THE AOC SITE. UNTIL THE UNION STATION REDEVELOPMENT PLANS WERE FAR ENOUGH ALONG TO ENABLE US TO SPELL OUT THE PRECISE ROLE THE AOC SITE WOULD PLAY IN THE PROJECT, IT WOULD HAVE BEEN INAPPROPRIATE TO REQUEST ASSIGNMENT OF THE SITE FROM THE ARCHITECT OF THE CAPITOL. ESTHETICALLY, AN APPROPRIATE BUILDING ERECTED ON THE AOC SITE WOULD COMPLEMENT UNION STATION AND THE POST OFFICE, WHICH WAS ALSO DESIGNED BY DANIEL BURNHAM, THE ARCHITECT OF UNION STATION. SUCH A BUILDING WOULD COMPLETE COLUMBUS PLAZA AND PROVIDE A SUITABLE TRANSITION TO THE CAPITOL GROUNDS. IN BUSINESS TERMS, DEVELOPMENT OF THE SITE WOULD ENHANCE THE MARKET FOR THE STATION'S RETAIL TENANTS, SECURING PROJECT CASH FLOWS. FROM A BUDGETARY PERSPECTIVE, THE REVENUE RECEIVED FROM DEVELOPMENT OF THE AOC SITE WOULD ENABLE THE DEPARTMENT TO BUY OUT THE LEASE ON UNION STATION, FACILITATING THE REDEVELOPMENT AND SAVING A SUBSTANTIAL SUM OVER THE REMAINING LIFE OF THE LEASE.

OUR ANALYSIS ALSO CONFIRMS THAT DEVELOPMENT BY USRC WOULD CARRY SIGNIFICANTLY LESS COST TO THE TREASURY THAN THE ARCHITECT OF THE CAPITOL'S PROPOSAL. WE PROPOSE TO LEASE THE AOC SITE TO A PRIVATE DEVELOPER, WHO WOULD ERECT A BUILDING CONSISTENT WITH USRC SPECIFICATIONS. THE ADMINISTRATIVE OFFICE OF THE COURTS WOULD BE THE PRIME TENANT OF THE NEW BUILDING. THEY ARE NOW SCATTERED AMONG OFFICES AROUND THE METROPOLITAN AREA, AND WE UNDERSTAND THAT CHIEF JUSTICE BURGER HOPES TO CONSOLIDATE THEIR OFFICES AT A SINGLE SITE. KEITH WILL GIVE YOU THE DETAILS OF HOW THAT MIGHT BE DONE.

NOTE THAT THE USRC DEVELOPMENT PLAN FOR THE AOC SITE HAS NOT BEEN ENDORSED OR APPROVED BY THE ADMINISTRATION, WHICH IS IN THE PROCESS OF ANALYZING VARIOUS DEVELOPMENT OPTIONS THAT MIGHT BE PUT FORWARD.

IF THE AOC SITE IS INCLUDED AS PART OF THE UNION STATION COMPLEX, USRC WILL BE ABLE TO MAXIMIZE ACCOMPLISHMENT OF THE GOALS SET FOR THE PROJECT IN THE UNION STATION REDEVELOPMENT ACT OF 1981. THE EXTERIOR FACADE AND OTHER HISTORICALLY AND ARCHITECTURALLY SIGNIFICANT FEATURES OF THE UNION STATION BUILDING WILL BE PRESERVED. THE TRAIN STATION WILL RETURN TO THE INTERIOR OF THE HISTORIC BUILDING, BRINGING THE TRACKS BACK CLOSE TO THEIR FORMER LOCATION. HOLDING FACILITIES FOR BUSES WILL BE PROVIDED AND THE COMMERCIAL DEVELOPMENT IN THE UNION STATION COMPLEX WILL FINANCIALLY SUPPORT THE CONTINUED OPERATION AND MAINTENANCE OF THE COMPLEX. EXCEPT FOR AN ANNUAL APPROPRIATION FOR RENT (UNLESS THE LEASE IS BOUGHT OUT), WE DO NOT EXPECT TO COME BACK TO CONGRESS FOR FURTHER APPROPRIATIONS. WE EXPECT THAT THE FEDERAL GOVERNMENT WILL BE ABLE TO WITHDRAW FROM ANY ACTIVE ROLE IN THE OPERATION AND MANAGEMENT OF UNION STATION.

WE ARE PLEASED TO BE ABLE TO PROVIDE THIS PROGRESS REPORT. UNION STATION IS A COMPLEX PROJECT, BUT IT IS PROGRESSING EXTRAORDINARILY WELL. THE STATUTORY FRAMEWORK PROVIDED BY THE

CONGRESS HAS GIVEN THE DEPARTMENT THE POWER AND FLEXIBILITY TO APPROACH THIS JOB EFFICIENTLY, AND AS MUCH LIKE A PRIVATE-SECTOR DEVELOPED AS GOVERNMENT PLAYED IN CREATING THAT STATUTE AND SUPPORTING THIS PROJECT AT EVERY STEP, I AM SURE YOU FEEL THE SAME SATISFACTION IN PRESERVING THIS GRAND BUILDING, AND GIVING WASHINGTON BOTH A TRAIN STATION APPROPRIATE TO OUR NATION'S CAPITOL AND A UNIQUE COMMERCIAL CENTER.

THANK YOU. WHEN KEITH IS FINISHED, I WILL BE GLAD TO ANSWER ANY QUESTIONS YOU HAVE.

TESTIMONY OF
KEITH KELLY
PRESIDENT
UNION STATION REDEVELOPMENT CORPORATION

BEFORE THE
SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

JULY 17, 1985

Mr. Chairman and Members of the Committee:

I am pleased to appear before you this afternoon to give our views on alternatives for development of Squares 721 and 722 lying adjacent to Union Station. In preparing for this hearing, I noted that it is just four years since hearings before this Committee were held on the proposed legislation that was subsequently enacted as the Union Station Redevelopment Act of 1981. I thought it might be of interest to the Committee to see what has taken place in this four year span.

Briefly stated, the 1981 Act authorized the Secretary of Transportation to provide for the redevelopment of Union Station in accordance with the following goals:

1. Preserve the exterior facade and other historic and architecturally significant features:

2. Restore part of the historic structure as a rail passenger station.

3. Commercial development of the Station that will, to the extent possible, financially support the continued operation and maintenance of the facility; and

4. Withdrawal of the Federal Government in the operation and management of the station as soon as practicable.

TESTIMONY
(2)

With respect to Number 1 above, short term repairs, necessary to stabilize the building were authorized, bid and completed at a cost of approximately $970,000. Following an intensive competition the respected architectural firm of Harry Weese & Associates was retained to direct the renovation and restoration of the Station. They have been working diligently over the past year and are currently in the design development phase of their planning.

With respect to Number 2 above, Weese was also retained as tne arcnitect for Amtrak and working with Amtrak has developed station facilities within the historic structure and train concourse that will serve Amtrak's needs now and in the future.

The third goal is being met in the following manner. Utilizing a competitive program for selection of a "proposed developer" including advertisement, request for qualifications and request for proposal, USRC recommended to Secretary Dole that the joint venture of LaSalle Partners, Equity Associates, Inc., Williams Jackson Cavanaugh and Benjamin Thompson Associates be given the exclusive right to negotiate a development agreement. The Secretary concurred with this recommendation and a draft development agreement has been negotiated between USRC and the joint venture now known as Union Station Venture (USV). This draft agreement has been approved by USRC's Board of Directors and is currently being put in final form

by the attorneys for both parties. One of the major points of the agreement is that the rent to USRC is net net which places the continued operation and maintenance of the Station as a responsibility of the USV. As part of this negotiation, Ben Thompson Associates (BTA), Architect for USV, has been developing their schematic drawings in cooperation with Harry Wesse & Associates (HWA) and has arrived at a plan for the development of approximately 190,000 square feet of retail space and 80,000 square feet of office space.

The combined efforts of HWA and BTA have been reviewed in schematic form by the National Capital Planning Commission (NCPC), the Commission of Fine Arts, the Advisory Council on Historic Preservation and the District of Columbia Historic Preservation Officer.

Comments and suggestions received from these agencies have been successfully incorporated into our current plans. FRA and USRC have also concluded a Memorandum of Agreement with the Advisory Council and the D.C. Historic Preservation Officer in accordance with Section 106 of the National Historic Preservation Act of 1966. The Memorandum of Agreement which has been signed by all parties, outlines a series of measures that the parties have determined will eliminate or satisfactorily mitigate any adverse effects to the historic qualities and importance of Union Station.

TESTIMONY
(4)

For assistance in managing the construction and renovation of the historic structure, the joint venture of Gilbane/Smoot was retained after a competitive selection process to act as our Construction Manager. Their estimates of the combined schematic plan indicate we can carry out the work on the drawings within our budget. Copies of the combined schematic drawings are attached for ready reference and we have large scale drawings with us today.

Our costs to date (April 14, 1983 to June 30, 1985) are approximately $4,900,000.

I would now like to address our future plans. We originally contemplated completing all drawings and specifications and putting one package out to competitive bid. However, in discussions with the Architects and Construction Manager, it was learned that this would delay the beginning of construction until March or April of 1986 which would delay opening until 1988. It was determined that certain portions of the work which needed to be done in any event, i.e., demolition of the National Visitor Center improvements and certain structural elements might be put out as a separate package or packages and the bulk of the contract put out early in 1986. This would allow work to start as early as September of this year and would give us about a six-month jump on construction. All packages would be bid competitively.

TESTIMONY
(5)

As indicated above, we had contemplated commencing selective demolition in September of this year. However, a survey of the station discovered asbestos in several areas. A survey by a company skilled in asbestos removal has recommended that the removal of asbestos material should take place prior to this work proceeding. Therefore, we plan to undertake this work before the initial demolition contract.

In summary, we believe we can commence our demolition and and complete asbestos removal work in late September or early October. Our structural package could be let in November, 1985 and the balance of work bid competitively in March 1986 and contract awarded in April of 1986 for the balance of the work. This would allow completion of the project in late summer of 1987.

As an aside, I am happy to report to the Committee that minority participation in all work to date has been at or, in most cases, above our requirement of 20% minority participation and a goal of 35% participation.

52-111 O - 85 - 2

TESTIMONY
(6)

The fourth goal mandated by Congress has not been attained. The Committee will remember that the Station and surrounding area was leased by the Federal Government from the Terminal Realty Penn Company and Terminal Realty Baltimore Company for a period of 25 years terminating in the year 2001 with an annual payment of up to $3.5 million dollars and title vesting in the United States at the end of the term on payment of one dollar ($1.00). In the earlier hearings, testimony was offered that the revenues from the parking structure and the commercial portion of the Station would be insufficient to handle the operating expenses and the lease payments. It was further suggested that the revenue stream from Squares 721 and 722 assuming a ground lease with a developer might be capitalized with an eye to either reducing the Government's cost of restoration from $70 million to approximately $41 million or providing sufficient funds to buy out the outstanding lease. This need remains.

USRC believes that the development of Squares 721 and 722 should be undertaken as soon as practicable. A building on this site would round out the development of Columbus Plaza. The massing, color and design of such a structure should be done sympathetically with Daniel Burnham's design of the City Post Office and the Union Station. Together, the three buildings would provide a background for the Plaza and the City Post Office and the new office building would frame the Station.

TESTIMONY
(7)

We are not unmindful of the needs of the Administrative Office of the United Stated Courts (AOUSC) and believe that those needs could be successfully integrated into the development of Squares 721 and 722 by a private developer ground leasing those sites.

The Committee may recall that The Washington Union Station Marketing and Planning Study, prepared for the Federal Railroad Administration and U.S. Department of Transportation, dated December 16, 1982, and submitted to Congress in accordance with the 1981 Act suggested two possible development concepts for Squares 721 and 722. The first concept proposed development of 460,000 square feet of gross building area with 510 parking spaces. The second concept suggested the development of two office structures of 317,500 square feet and 250,000 square feet connected by a 16,500 square foot atrium or a total of 559,000 square feet gross with parking for 654 cars. The Executive Summary of this report proposed the development of the second concept with net rentable area of 460,000 square feet and parking for 654 cars.

In an effort to determine what the possible results would be if such a building (or buildings) were constructed to house the AOUSC in the structure and provide office space which could be leased until the AOUSC had need for such space, the following assumptions were made:

TESTIMONY
(8)

1. Building costs of $75 per square foot
2. Storage costs of $30 per square foot
3. Parking costs $11,760 per space including soft costs
4. Soft costs equal $32.52 per square foot
5. Debt Equity ratio 75/25
6. Debt at 11 1/2% - 30 year term = .1189 constant
7. Return on Equity - 20%
8. Operating Expenses - $6.00 per square foot
9. Term of Ground Lease - 35 years
10. AOUSC Base Rent - $25.00 per square foot (1988-1989)
11. AOUSC Storage Rent - $10.00 per square foot
12. Spec Rent - $30 per square foot (1988-1989)
13. Vacancy allowance 6% of Spec Space
14. AOUSC Requirements 206,085 square feet FY '86[1]

US Supreme Court	40,000 square feet
AOUSC	168,900 square feet
Federal Judiciary Center	45,096 square feet
Bd. of Cert. for Dir. Exec.	300 square feet
Sec. of Jud. Cont. of the U.S.	1,125 square feet
Joint USC	7,600 square feet

[1]We have used the 206,085 square feet figure for AOUSC office requirements and have assumed that 60,000 square feet of storage space could be accommodated below grade either in conjunction with parking or in place of parking.

TESTIMONY
(9)

Utilizing the foregoing assumptions, we believe that a developer could afford a ground rent to USRC of as much as$2,995,228 per annum. This income stream capitalized would provide sufficient funds to pay off the lease payments to the terminal companies and the balance returned to the U.S. Treasury. In addition, we believe we could have the AOUSC in permanent space by early 1989 with no capital cost to the Federal Government assuming the payment of market rent less the discount that a large space user should be entitled to. Security could be absolute for the building to be occupied by the AOUSC without interfering with other tenants. Expansion for AOUSC is provided for and the land with building would be returned to the Federal Government after 35 years.

It is possible that USRC might achieve a greater return if USRC entered into a joint venture with a developer whereby URSC could bring to the table the land and a commitment from the AOUSC to occupy the 206,000 square feet of space at a market rent of say $25 per square foot for office space and $10 per square foot for storage and with expansion options plus storage as indicated. This might result in a split of the cash available after operating expense and debt service of 50% - 50% or 49% - 51% which might provide a greater return to USRC and to the Government over time.

TESTIMONY
(10)

Even without a commitment from the AOUSC we believe that a market would exist for Class A space in this location. Under such circumstances, we would recommend proceeding on the Two Phase development proposal as the Second Concept in The Washington Union Station Marketing and Planning Study. This would allow a developer to assess his own determination of the market demand for office space adjacent to the Capitol and set his own time table for ultimate development within the time constraints of the AOUSC's needs.

We have been assured of developer interest in this site. Both of the developers who participated in the developer selection process for the Station have indicated in very positive terms their continued interest in the site. Other developers, both local and national, have expressed interest in this location should the time be ripe for serious discussion.

TESTIMONY
(11)

In summary, USRC is moving on schedule to satisfy three of the goals of the Union Station Redevelopment Act of 1981. We are confident that, if authorized by the Secretary of Transportation, we could move promptly to satisfy the fourth goal as well as satisfy the long term desire of the Chief Justice to have the AOUSC back near the Supreme Court Building at basically no capital cost to the Federal Government. We believe that studies of the comparative cost to the Federal Government would indicate that in the long run the least Federal cost would be the solution we suggest. We would welcome the opportunity to perform this function. I would be happy to answer any questions that the Committee might have.

T H A N K Y O U

POSSIBLE DEVELOPMENT CONCEPT

Building - 460,000 square feet NRA (ECCP Study-Executive Summary)

Below Grade
Storage - 60,000 square feet
Parking - 654 spaces (ECCP Study-Executive Summary)

ESTIMATED COSTS:

Office - 460,000 at $75 per square foot	= $34,500,000	
Parking - 654 spaces at $11,760 per space	= 7,691,040	
Storage - 60,000 square feet at $30 per square feet	= 1,800,000	
Total Construction Cost	$43,991,040 = $95.63 per square foot	
Other Development Cost[1]		
A/E Fees	2,760,000	
Management & Leasing	1,380,000	
Financing	5,557,500	
Lease-up Interest	2,778,750	
Legal & Insurance	345,000	
Contingencies	2,137,500	
	$14,958,750	
Total Cost	$58,949,790 = $128.15 per square foot	

FINANCING

75% Debt - $96.11 per square foot x 460,000 sq. ft. = $44,211,750
25% Equity - $32.04 per square foot x 460,000 sq. ft. = 14,737,250

BASIC RENT CALCULATION

Debt at 11 1/2 rate x 30 year term = .1189K	= $11.42 per sq. ft.
Equity at 20% return	= 6.41 per sq. ft.
Operating Expense	= 6.00 per sq. ft.
Base Rent required	$23.83 per sq. ft.

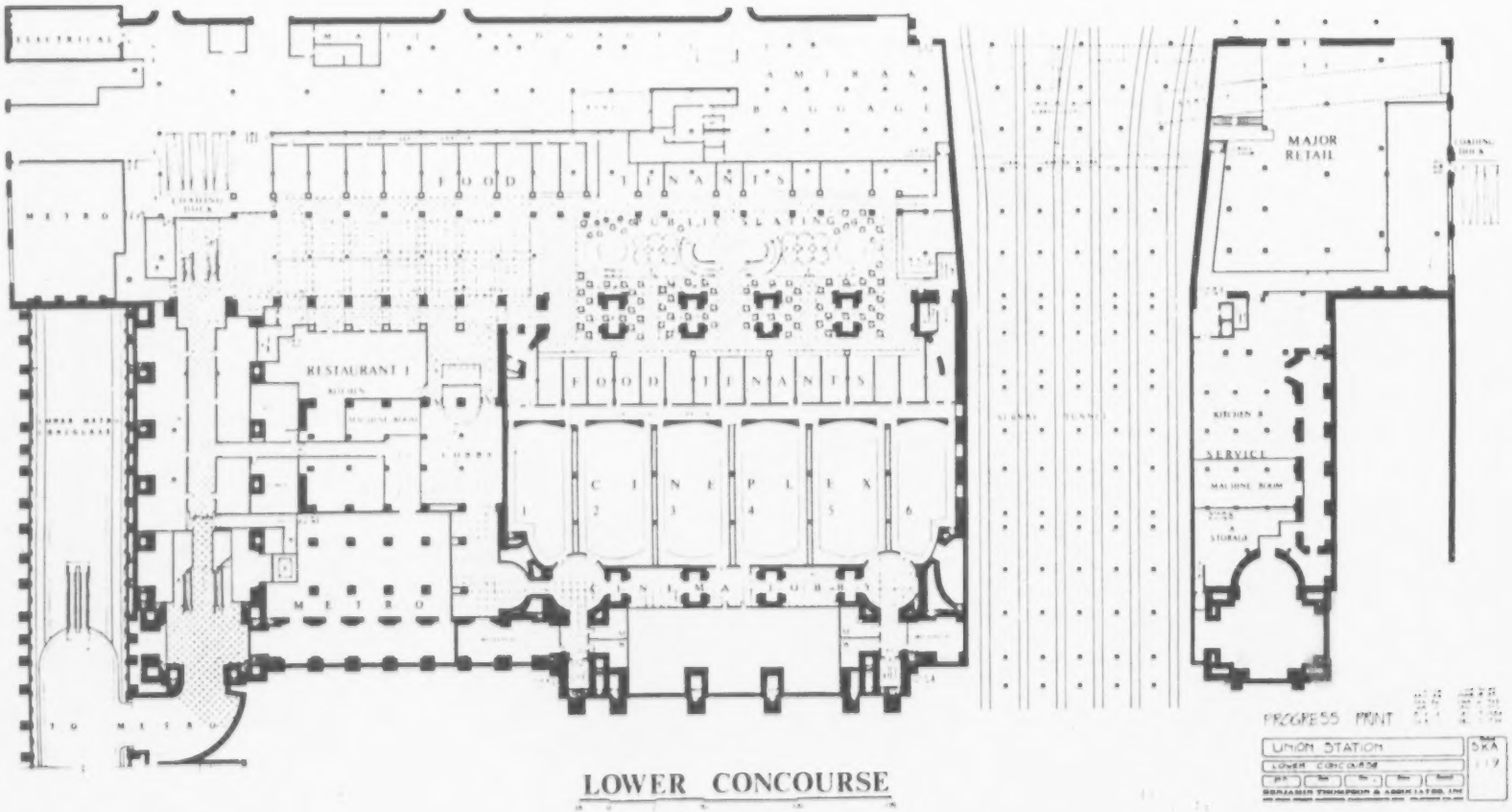
[1]Other development costs are based on cost of office building except for financing. Parking and Storage costs include fees.

POSSIBLE DEVELOPMENT CONCEPT
-2-

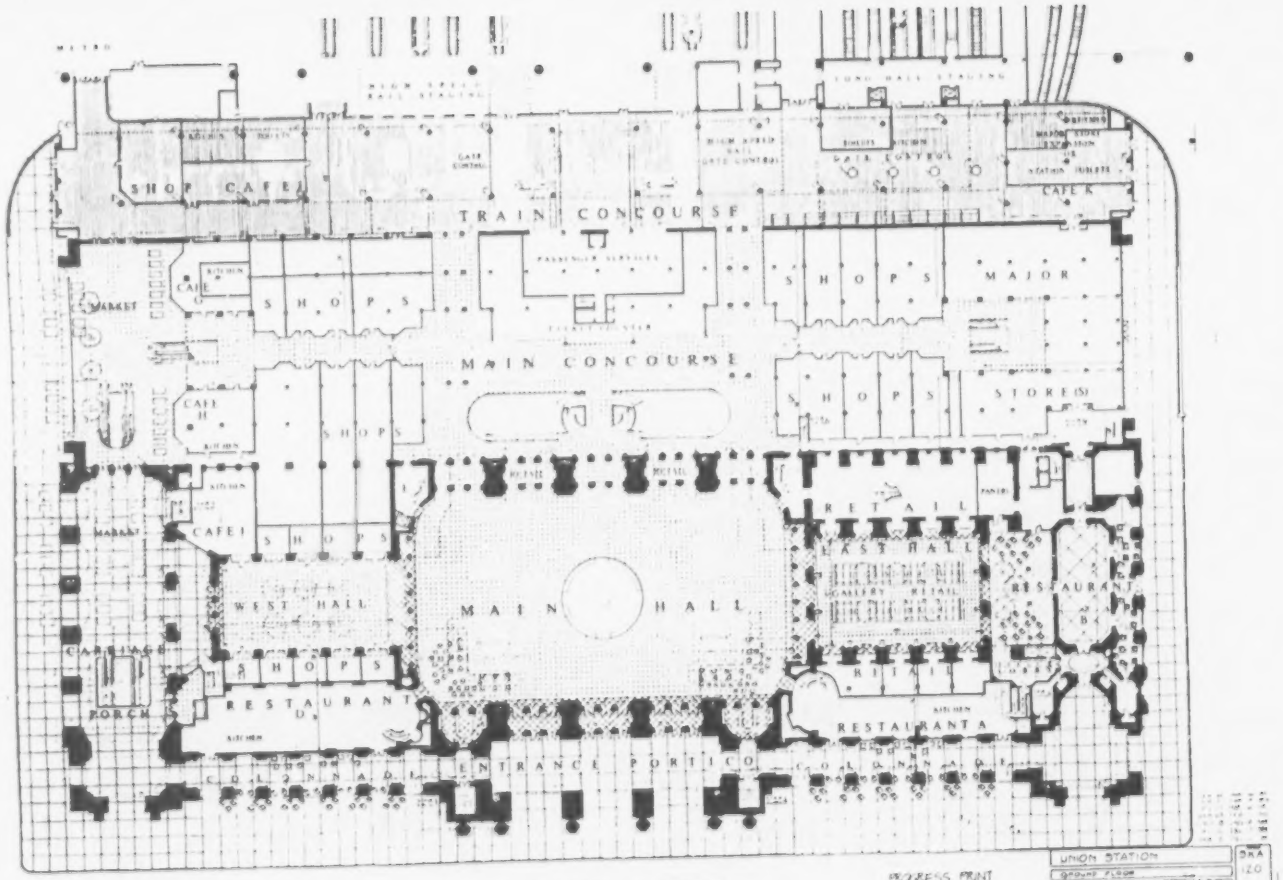
CASH FLOW PROJECTION

Income - Rent		
Office - AOUSC - 206,085 square feet @ $25.00 per sq. ft.		$ 5,152,125
Storage - AOUSC - 60,000 square feet @ $10.00 per sq. ft.		600,000
Spec Office - 253,195 square feet @ $30.00 per sq. ft.		7,617,450
		$13,369,575
Parking		1,044,500
	Total Revenue	$14,414,075
Less: Vacancy 6% of Spec Space		457,047
		$13,957,028
Less Operating Expense		2,760,000
		$11,197,028
Debt Service		5,253,200
		$ 5,943,828
Return to Developer		2,948,600
Balance Available for Ground Rent		$ 2,995,228
Ground Rent Capitalized @ 10%		$29,952,280

Land Value per sq. ft. - 238,580 sq. ft. = $125.02 per sq. ft.

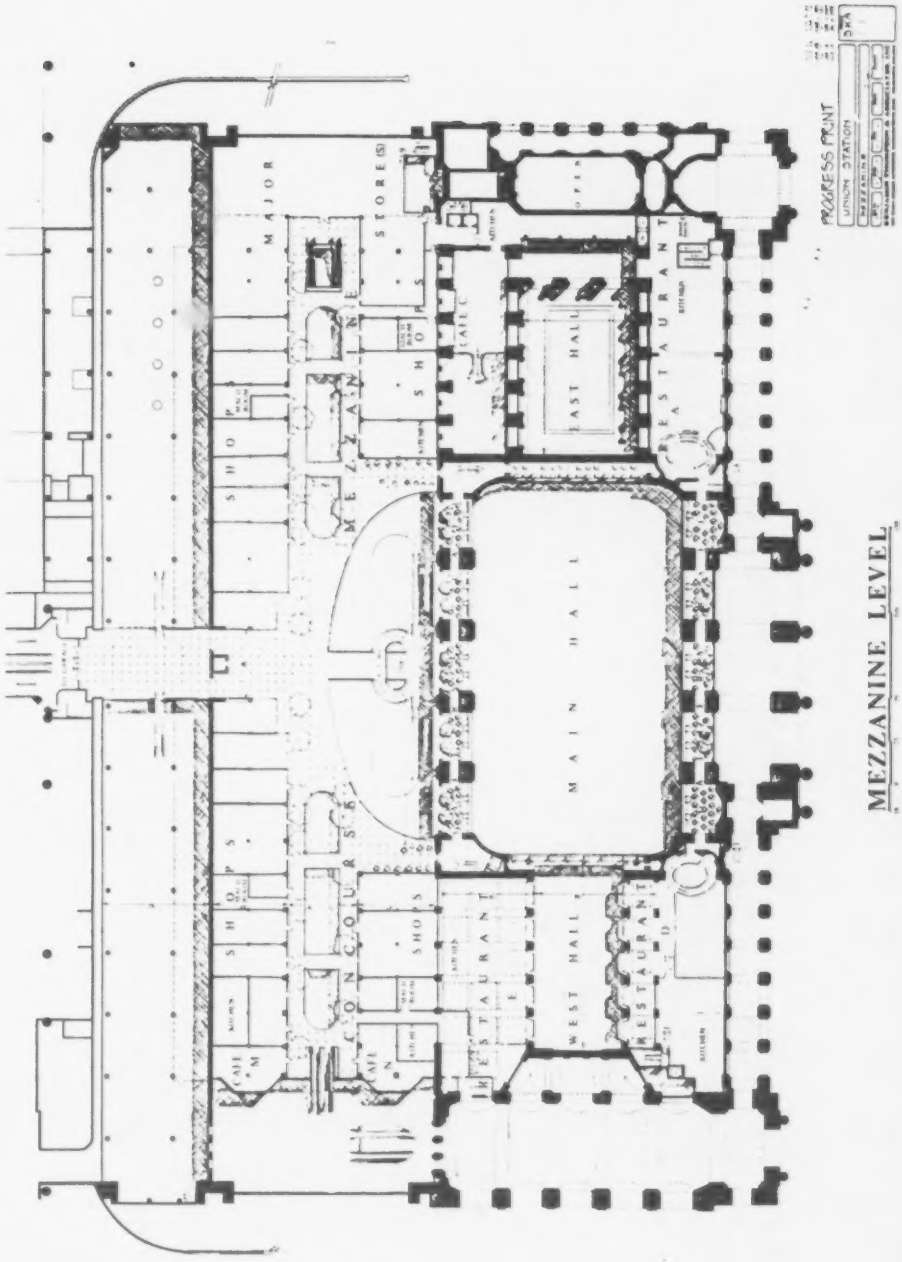


LOWER CONCOURSE



PROGRESS PRINT

GROUND FLOOR



MEZZANINE LEVEL

UNION STATION
REDEVELOPMENT CORPORATION

Keith Kelly -President

July 19, 1985

Mr. Hal Brayman
c/o Mr. Robert T. Stafford
U.S. Senate Committee on Environment
and Public Works
Hart Senate Office Building, Room 133
Washington, D.C. 20510

Dear Hal:

The two attached tables are the basis for my comments in testimony before the Senate Committee on Environment and Public Works on July 17 regarding our proposal being less costly to the United States. I did not know if you needed them for the record or for your use.

Table 1 is the net present value cost to the U.S. Government for the Administrative Offices of the U.S. Courts 1986-2021 without an assumption of any financing costs. As you can see under the Architect's proposal, the cost to the United States is $114,330,000. If USRC's proposal was accepted, the cost to the United Stated would be $65,830,000.

Table 2 is the same comparison but with the cost of financing dollar included. On this basis, the cost to the United Stated under the Architect's plan is $146,970,000. Under USRC's plan to cost to the government is $84,210,000.

Please call if you have any questions.

Sincerely,

Keith

Keith Kelly

Enclosures

444 North Capitol Street, N.W. – Suite 740
Washington, D.C. 20001 – (202) 383-2590

TABLE 1 7/17/85

COMPARATIVE NET PRESENT VALUE COSTS to U.S. GOVERNMENT
for ADMINISTRATIVE OFFICES OF THE U.S. COURTS
1986 - 2021
(all amounts in current dollars, $000's)

AOC BUILDS	Time Period	Annual Amount	Disc. Factor at 7 1/2 %	Amount
Cost Item				
1. AOUSC Rent during Development	Yrs. 1 - 5	$ 2,900* [2]	4.0	$ 11,600
2. Dev. Cost	Year 1	5,500 [3]	.9	4,950
	Year 2	26,500 [3]	.8	21,200
	Year 3	25,500 [3]	.8	20,400
	Year 4	8,000 [3]	.7	5,600
	Year 5	5,000 [3]	.7	3,500
3. Ann. Oper. Cost	Years 6-35	1,920* [4]	8.3	15,935
4. Union Station Lease	Years 1-16	3,500 [5]	9.1	31,850
				$115,035
Revenue Item				
5. Bldg. Value	Year 35	70,500* [6]	.01	-705
	NET COST TO U.S. GOVERNMENT			$114,330
USRC BUILDS				
Cost Item				
1. AOUSC Rent during Development	Years 1-3	2,900* [7]	2.6	$ 7,540
2. AOUSC Rent New Building	Years 4-35	5,750* [8]	9.7	55,775
3. AOUSC Parking Rent	Years 4-35	470* [9]	9.7	4,560
4. Union Station Lease	Years 1-3	3,500 [10]	2.6	9,100
				($76,975)
Revenue Item				
5. Ground Rent	Years 16-35	2,950* [11]	3.5	- 10,325
6. Building Value	Year 35	82,020* [12]	.01	- 820
				($11,145)
	NET COST TO U.S. GOVERNMENT			$65,830

NOTE: This table does not take into account the costs to the Federal government of borrowing funds to pay for the costs of building an office building, leasing, renting or operating an office building. If these costs were taken into account the net costs would be far greater, particularly for the AOC alternative where the amount to be financed is larger.

SOURCES AND ASSUMPTIONS

1. For purposes of this analysis, no inflation or appreciation is shown since it would not significantly affect the comparative figures. Asterisks (*) show costs that would be subject to appreciation or inflation. Future costs and revenues are discounted at 7 1/2%, the present federal discount rate.

2. Current Rents paid by AOUSC, Memorandum of April 10, 1985 from Karen K. Siegel, AOUSC, to Mark Tessler, FRA.

3. AOC outlays over the AOC development period (years 1-5) from page 5, H.R. Report 99-119, May 15, 1985, "Judicial Branch Office Building."

4. Annual operating cost at $6 per square foot x 320,000 square feet of office/storage space.

5. This scenario assumes the Federal government pays annually the $3,500,000 to lease Union Station until the end of the lease term.

6. Based on cost.

7. Same as footnote 2. However, development period during which AOUSC must pay current rents is 3 years instead of 5 years.

8. Based on USRC pro forma indicating AOUSC rental of 206,085 square feet for office use at $25 per square foot and 50,000 square feet for storage at $10 per square foot.

9. Assumes AOUSC pays for 294 parking spaces.

10. Assumes Federal government pays the $3,500,000 station lease only until completion of the new building. After that the ground rent to USRC of $2,950,000 from the new building's developer per year (generated not only from AOUSC rents but also private leasing of 360 parking spaces and 253,193 square feet of office space) can be used to buyout the remaining term of the lease. The ground lease of $2,950,000 per year for a government leased building discounted for 12 years at a rate of 10.5% (present rate of Treasury notes over a 15-year period) would yield about $19.5 million, the conservatively estimated cost of a lease buyout in 1989 ($3,500,000 per year discounted at 9 1/2%, the prime rate, from 1989 through 2001).

11. After the 12th year of building operation, ground rents would not be needed to amortize a lease buyout and would flow to the U.S. Government through USRC.

12. Building value based on $8,202,000 net income before debt service capitalized at 10% as shown in pro forma prepared by USRC for building's first year of stabilized operations.

TABLE 2 7/17/85

COMPARATIVE NET PRESENT VALUE COSTS to U.S. GOVERNMENT WITH FINANCING[1]
for ADMINISTRATIVE OFFICES OF THE U.S. COURTS
1986 - 2021
(all amounts in current dollars, $000's)

		Time Period	Present Value x Debt Constant[2]	Ann. Debt Payment x Discount Factor at 7 1/2 %[1]	Present Value Amt. w/Fin.
AOC BUILDS					
	Cost Item				
1.	AOUSC Rent during Dev.	Yrs. 1-5	$11,600 x .2535[3] =	$ 2,940 x 4.0	$ 11,760
2.	Dev. Cost	Year 1	4,950 x .0754[4] =	370 x 1.0	370
		2	25,600 x .0754[4] =	1,920 x 1.0	1,920
		3	46,000 x .0754[4] =	3,450 x 1.0	3,450
		4	45,850 x .0754[4] =	3,440 x 1.0	3,440
		5	49,350 x .0754[4] =	49,350 x 1.0	3,700
		Yrs. 6-35	49,350 x .1098[5] =	5,420 x 11.8	63,955
3.	Ann.Op. Cost	Yrs. 6-35	15,935 x .1098[5] =	1,750 x 11.8	20,650
4.	Union Station Lease	Yrs. 1-16	31,850 x .1326[6] =	4,225 x 9.1	38,430
					$147,675
	Revenue Item				
5.	Bldg. Value	Year 35	-705		- 705
			NET COST TO U.S. GOVERNMENT		$146,970
USRC BUILDS					
	Cost Item				
1.	AOUSC Rent During Dev.	Yrs. 1-3	7,540 x .3816[7] =	2,875 x 2.6	7,480
2.	AOUSC Rent New Bldg.	Yrs. 4-35	55,775 x .1089[8] =	6,075 x 12.0	72,900
3.	AOUSC Parking	Yrs. 4-35	4,560 x .1089[8] =	495 x 12.0	5,940
4.	Union Station Lease	Yrs. 1-3	9,100 x .3816[7] =	3,475 x 2.6	9,035
					$ 95,355
	Revenue Item				
5.	Ground Rent	Yrs. 16-35	-10,325		-10,325
6.	Bldg. Value	Year 35	-820		-820
					$-11,145
			NET COST TO U.S. GOVERNMENT		$ 84,210

[1]This table assumes costs are financed but fully paid off at the end of each respective time period. Everything else is the same as Table 1. Costs with financing are + $33 million AOC and + $19 million USRC over and above those in Table 1 making the AOC alternative $14 million more costly than the USRC alternative.

[2]Entries in the column "Present Value x Debt Constant" are from the final present value "Amount" column of Table 1 except for Item 2, "Development Cost," under "AOC Builds" which accumulates and has been discounted to present value using the same discount factors--.9, .8, etc. -- on Table 1.

[3]Annual rate to amortize at 9.75%, 5 years (Federal borrowing rate for 5 year notes, 7/2/85 Washington Post).

[4]Annual borrowing rate for each development year (7/2/85 Washington Post).

[5]Annual rate to amortize at 10.5%, 30 years (7/2/85 Washington Post).

[6]Annual rate to amortize at 10.5%, 15 years (7/2/85 Washington Post).

[7]Annual rate to amortize at 9%, 3 years (7/2/85 Wasnington Post).

[8]Annual rate to amortize at 10.5%, 32 years (7/2/85 Washington Post).

TESTIMONY OF ROBERT H. MENDELSOHN BEFORE THE SENATE COMMITTEE ON ENVIRONMENT & PUBLIC WORKS, JULY 17, 1985.

Mr. Chairman and Members of the Committee:

I am Robert H. Mendelsohn and I represent the development team planning the Capitol Hill Gateway, a project on a 5 1/2 acre site bounded by Union Station on the west, Second Street on the east, "F" Street and the Architect of the Capitol site (Squares 721 and 722) on the south and "H" Street overpass on the north; and located four blocks from the U.S. Capitol and the Supreme Court.

We are pleased to respond to your invitation to testify today because, first, we are the contract purchasers of this parcel adjoining Union Station; second, we are anxious to describe to you our project, about which we are most enthusiastic; and, third, we welcome the opportunity, to present to you an economic alternative to isolated development of squares 721 and 722, known as the Architect of the Capitol Site.

At this time, I would like to introduce to you members of the development team:

1. Walker, Urquhart and Co., the developer and contract purchaser of the land, has developed office buildings in Washington and Northern Virginia, Research and Development facilities near Dulles; residential subdivisions totalling several thousand units and has assembled nearly 3000 acres around Dulles airport.

2. CSX Resources, Inc., The seller of our parcel, and a limited partner in our project. CSX Corporation is the parent company of Chessie System Railroads, Seaboard System Railroad, Texas Gas Resources Corporation, the Greenbrier Resort Hotel, CSX Mineral, Inc., CSX Resources, Inc. and various coal, oil and gas development enterprises with assets totaling $11,636,000,000 in 1984.

3. Skidmore Owings and Merrill, an internationally known architectural design, structural engineering and interior design firm specializing in office, commercial, hotel, retail, and residential uses in the Washington, D.C. met-

ropolitian area, the United States and more than forty other countries. The firm's Washington office was responsible for: the Union Station - Trak 14 Study; Northeast Corridor Improvement Project station designs; and the design of Metropolitan Square, Jefferson Court, 1201 Pennsylvania Avenue, the National Geographic Society Headquarters, Washington Mall and Constitution Gardens, the Regent Hotel, and the Four Seasons Hotel.

4. Mendelsohn Associates, Inc, of which I am president, is a Washington D.C. based consultant firm specializing in project coordination services for local and national commercial development clients. I am a limited partner in this project.

DESCRIPTION OF OUR CAPITOL HILL GATEWAY SITE

The site we are developing is a linchpin to Capitol Hill development in the greater Union Station area. It is adjacent to 8.6 acres of air rights and can provide the critical access and parking required to make development of those air rights feasible. It adjoins the 4.0-acre site to the south, controlled by the Architect of the Capitol, which presents opportunities for joint planning and development of the two sites. In addition, our site provides an excellent opportunity to solve the parking problem created by the AOC site.

Our site is at the hub of east coast transportation and telecommunication systems. It abuts the Amtrak rail system connecting the site by rail to points throughout the nation. There will be a direct pedestrian linkage to the Union Station metrorail station for easy access to points throughout the Washington metropolitan area, including a 20-minute ride to National Airport. Interstate-395 and New York Avenue provide direct commuter vehicular connection to Northern Virginia and Maryland suburbs. Eleven bus routes serve the adjacent Union Station, and taxis are queued up at all times of day. Union Station is the southern terminus of AMTRAK's northeast corridor. Development of approximately 175,000 square feet of retail commercial space and approximately 80,000 square feet of office space is in the process as part of the renovation of the historic Daniel Burnham-designed Union Station itself. Concurrently, the United States Postal Service is planning for the commercial re-use of the Central City Post Office, a handsome beaux-arts building of approximately 750,000 square feet which flanks Union Station on the west. Because of its position at a major commuter and business travel transportation node, and its proximity to the Capitol and other Government offices, the site is also well-located for hotel, commercial and other activities in addition to office operations.

Direct, on-site rail access makes it the best, or perhaps the only, site to satisfy any future Federal requirements for printing, mailing and other such semi-industrial operations in this area. The greater Union Station complex has been targeted by the Federal Government and the City of Washington, as one of the prime areas for major commercial and economic growth in the District of Columbia. The main east coast right-of-way for the national fiber-optics telecommunications network adjoins the site, making this a ideal location for a the major downtown telecommunications center. Additionally, it is the closest possible location to the U.S. Capitol for such a center, being immediately outside the Capitol Interest District overlay zone in which microwave and other antennas are prohibited. Thus, the project can offer unique telecommunications and transportation savings to future users. (Incidently, over 30% of all the telecommunications volume in the U.S. occurs in the New York to Washington corrider.) The project will include state-of-the-art buildings with the most sophisticated telecommunications systems available, capitalizing on its proximity to the national fiber optic networks. Future tenants of the project will realize significant communications cost savings as a result of the telecommunications and other technologies designed for these buildings. The project will take advantage of its proximity to the railroad tracks by constructing techno-industrial space adjacent to the tracks, below the pedestrian plaza to maximize rail access.

Our project is a technologically enhanced office complex with advanced telecommunications capability; particularly useful to those who conduct business with on Capitol Hill and with the Federal Government.

It will include approximately 1.2 million square feet of office space, 205,000 square feet of techno-industrial space, and approximately 1,300 parking spaces.

The lower levels of the project will cover the entire site up to elevation 70 feet, and will house the parking areas, the techno-industrial space, and that portion of the office space at and above grade fronting on Second and F Streets. Five building towers will be constructed above this level there by maximizing light, air, and views, and permitting optimum floor area sizes for first class office space. The roof of the lower levels will serve as a new "ground level" for pedestrian plazas and landscaping at the 70 foot elevation, will relate this project to the elevations of future development in the Amtrak air rights and to the elevated H Street overpass at the northern end of the project.

This plaza area will extend north-south from the rear of Union Station all the way to H Street where it will connect with an elevated pedestrian and vehicular plaza in the Amtrak air rights extending the width of the H Street overpass. This plaza complex will provide H Street ingress and egress for the gateway project as well as for the future air rights development, and will create a new physical plane relating to the H Street elevation. Direct pedestrian linkages will be created among the sites, most importantly, to Union Station, the Metro-rail Station and the Metro. Our project will provide the daily stream of commuters essential to the success of the Union Station redevelopment.

Parking, circulation, and design elements of the project are established within the context of the future development needs of the overall area - including Union Station, the Amtrak air rights, the Architect of the Capitol site on Squares 721 and 722, the future development parcels at H and Second Streets - in order to insure coordinated, mutually supportive development of the entire Union Station area. Direct pedestrian linkages will be created among the sites, most importantly to Union Station and the Metro-Rail station.

We plan to commence construction in the first quarter of 1986 and are very excited about the future of our project.

PRIVATE SECTOR JOINT DEVELOPMENT OF THE ARCHITECT OF THE CAPITOL SITE

We are very much aware of a basic concern of this Committee in approaching the Architect of the Capitol (AOC) site: the government is making a major investment in the renovation of Union Station and wants to make sure that investment is succesful. The problem with Union Station is that it is a comparatively isolated site with little existing office or commercial activity surrounding it. A fundamental question about redevelopment of Union Station is whether enough critical mass of activity can be generated in the area around it to make it viable. Development of our site will clearly make Union Station a success by adding greatly to the critical mass in the area. If the U.S. Postal Service is allowed to move quickly to develop its 750,000 square foot site to the west of Union Station, this will also make a major contribution.

How does the (AOC) site fit in? If this site can be developed quickly, in coordination with Union Station and the other sites, it will greatly enhance the economic viability for the whole complex. The AOC site is potentially a very valuable one, adjacent to the Capitol and facing the monumental Columbus Plaza

and surrounding parks. Developed to its "highest and best use," the AOC site could contain premier office space and a fine hotel, for example, developed in consonance with Daniel Burnham's Union Station architecture.

The government could retain ownership of the AOC property and enter into a long-term lease for it with a private developer. We have indicated below, more specifically, how this could be structured. If the government wanted to retain office space in the project, it could, of course, do so. The underlying point is that the government could use the value of its AOC site property to:

1) Offset and recoup a significant part of its investment in Union Station, and/or

2) Help pay for the office space required by the Administrative Office of the United States Courts.

Let me summarize:

- The government has a major investment now underway in Union Station.

- The best way for it to protect and recoup that investment is to encourage development of additional critical mass on the surrounding sites it controls.

- The AOC site is key to achieving this critical mass. the site also presents a major opportunity for the government to recover a significant part of that Union Station investment if it allows private sector development overseen by the government to occur.

- The government does not have to give up ownership of the AOC site, since it could enter into a long-term lease for it, with the property reverting to the goverrment at the end of the lease.

- The government's role in overseeing development of the AOC site could assure that the project would be developed in a complementary way with the architecture of Union Station, and consistent with the master plan for the area developed by the Architect of the Capitol.

This brings us to the other issue before the Committee: meeting the office space needs of the Administrative Office of the United States Courts. As the Committee is well aware, the Administrative Office wants to consolidate its facilities into one building located near the Supreme Court. Development on a site near Union Station would meet this criterion. As suggested above, as part of a joint development effort with the private sector for the AOC site, the government could obtain a building

for the Administrative Office and use the monies it received for development rights on the AOC site to fund it. Our development group is prepared to accommodate the Administrative Office in a building on our site or on the AOC site itself (although this might reduce the government's return on the AOC site). We estimate that such a building could be completed through a private sector joint development effort within two and a half years at a far lower building cost to the government than if a separate authorizing bill is required. A lease, sale-leaseback or turn-key development agreement could be negotiated with the Administrative Office for this project.

As suggested briefly above, such joint effort could take one of several possible forms, such as :

1. The private developer could sign a long-term lease for Squares 721 and 722 with the federal government and provide to the government an annual lease payment, plus a percentage of the profits from the project. Agreements would be reached regarding any federal leasing of space within the building on Squares 719 and 720. The land and improvements on Squares 721 and 722 would revert to the government at end of the lease term; or

2. The government could commit Squares 721 and 722 to the overall development effort and become an equity partner in the total project, with corresponding economic returns from the cash flow commensurate with the equity position. Space would be provided to the government as needed, under a mutually agreed upon arrangement; or

3. The private developer could purchase Squares 721 and 722 from the government at a mutually agreed upon price, with land and improvements reverting to the government over the long-term. Agreements would be made on the use of space within the project for the government; or

4. The government could trade Squares 721 and 722 for a portion of our site, including buildings built to suit the government's needs. Both sites would be developed in accordance with a mutually acceptable development plan.

As summarized earlier, the advantages of any one of these approaches to the federal government are several:

1. Desired physical improvements would be made at no cost to the government and would revert to government ownership which is in keeping with Administration policy favoring private sector initiative.

2. Squares 721 and 722 would quickly become a significant

income-producing property for the government without any expenditure of public funds, and without loss of parking spaces.

3 The total area would be planned in a coordinated manner, in cooperation with the Architect of the Capitol, in conformance with the Master Plan of the Capitol, and with the efforts of the Union Station Redevelopment Corporation.

4. Phased development would permit significant expansion of parking currently available to the government, and would be provided prior to removing the existing parking. Additionally, that parking would be located in a secure, enclosed environment adjoining the approximately 175,000 square feet of retail space planned for Union Station.

5. Appropriate space, built to federal specifications, could be provided for essential federal functions, within easy walking distance of the U.S. Capitol and the Supreme Court. This would solve the immediate and pressing need created by the proposed consolidation of the Courts in a timely and cost-effective manner. The government would be strongly involved in the design process, together with our architects, Skidmore, Owings & Merrill.

6. The creation of a cohesive critical mass of development would insure the federal goverments extensive investment in the Union Station redevelopment.

CONCLUSION

Our project has been conceived within the context of the future development needs of the overall area - including Union Station, the Amtrak air rights, the Architect of the Capitol site on Square 721 and 722, and the future development parcels at H and Second Streets - in order to insure coordinated, mutually supportive development of the entire area. In particular, we see the Union Station area and Capitol Hill Gateway as a unique and exciting opportunity to create a dramatic sense of place - a complete high quality environment - in an overlooked but extremely important part of the City. It is an undervalued area long overdue for private development.

We strongly believe that an excellent opportunity and numerous compelling reasons exist for the jointly planned and implemented development of our site with the Architect of the Capitol site. Through such a joint effort, the planning and development of the area could be carefully coordinated and the economic potential of both sites could be maximized. Development on our site could efficiently provide space to accommodate several unique federal requirements, such as those identified in the Master Plan for the U.S. Capitol. The Architect of the Capitol site could be devoted at least partially to higher economic returns to the federal government. The design constraints of this important location would be honored through a close working relationship with the Architect of the Capitol and the Union Station Redevelopment Corporation.

STATEMENT OF JAMES T. COE
DIRECTOR, OFFICE OF REAL ESTATE
REAL ESTATE & BUILDINGS DEPARTMENT
UNITED STATES POSTAL SERVICE

BEFORE THE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

JULY 17, 1985

I am James T. Coe, Director, Office of Real Estate, Real Estate and Buildings Department, U.S. Postal Service. I am appearing in response to the invitation of the Chairman to present testimony on possible alternatives for the future development of Squares 721 and 722 in the District of Columbia. Present with me is Dennis Wamsley, General Manager, Utilization and Disposal Division of the Office of Real Estate.

The Postal Service owns the City Post Office property to the south of Squares 721 and 722. All of the properties in this vicinity, including our neighbor Union Station, will benefit from well planned redevelopment of each of these sites.

The Postal Service currently is constructing a new Washington General Mail Facility which will permit the relocation of its mail processing activities out of the City Post Office. We will still have a continuing need for space at this location for other postal activities. Consequently, our plans are to

retain ownership of the City Post Office property, adapt the portion of the building we no longer need to other uses, and participate in the growth we foresee in this area of the City.

Under the Postal Reorganization Act of 1970, the Postal Service is generally required to conduct its operations on a break even basis. To meet this responsibility to the public, we consider it our obligation to manage our assets in a businesslike manner including generating income from any excess real property assets. The economics of the decision to build a new mail processing facility for Washington depended heavily upon realizing proceeds from space that would no longer be required in the old building, following our move to the General Mail Facility. Therefore, almost simultaneous with the start of design of the new facility, the Postal Service initiated planning activities for the future use of the City Post Office building.

Our objectives with regard to the existing building may be summarized as follows: first, that any postal needs for the continued occupancy of the building be met; second, that whatever is done with the building be respectful of its historic character, and of other developmental plans in the immediate area; third, that we secure the maximum financial return to the Postal Service; and, finally, that we keep to a schedule that will enable the building to be placed into a new future use as promptly as possible after most of our operations leave the building. We believe these objectives are responsive to our own obligations and that they are responsive to the redevelopment plans of both the District of Columbia and the Union Station Redevelopment Corporation.

We believe the ultimate success of the redevelopment of Union Station is tied in part to the redevelopment of the City Post Office building to its highest and best use. Likewise, we feel the nature of the redevelopment of our site will be critical to the successful development of City lands north of our property. We also believe that development of the nearby 721 and 722 parcels for office uses will be positive for the entire area and positive for the Postal Service.

Anticipating that we will be able to start moving to the new postal facility late next summer, we are planning on issuing early next month a public solicitation for proposals from private developers. This request for proposals will contain options that we feel will encourage private participation in the redevelopment of our property and permit us to consider the needs of any others in the government for space in this building.

This concludes my prepared statement.

I will be pleased to respond to any questions. Thank you.

STATEMENT OF

FRED L. GREENE, DIRECTOR

DISTRICT OF COLUMBIA

OFFICE OF PLANNING

GOOD AFTERNOON, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. I AM FRED L. GREENE, DIRECTOR OF PLANNING FOR THE DISTRICT OF COLUMBIA. I AM PLEASED TO JOIN YOU THIS AFTERNOON TO SHARE WITH YOU THE DISTRICT OF COLUMBIA'S SUPPORT FOR THE DEVELOPMENT OF SQUARES 721 AND 722. THE DISTRICT OF COLUMBIA WELCOMES THE OPPORTUNITY TO PARTICIPATE IN ANY PUBLIC-PRIVATE INITIATIVE IN THIS AREA. THIS PROJECT WILL GENERATE A CATALYTIC IMPACT ON THE ECONOMIC DEVELOPMENT POTENTIALS OF THE UNION STATION AREA. ONE OF THE DISTRICT OF COLUMBIA GOALS IS TO EMPHASIZE PUBLIC-PRIVATE PARTNERSHIPS IN MAJOR ECONOMIC DEVELOPMENT PROJECTS SUCH AS THIS.

WE UNDERSTAND THAT THE SQUARES WILL BE USED FOR ADMINISTRATIVE OFFICE SPACE FOR THE FEDERAL COURTS. IN OUR VIEW, AFTER CAREFULLY REVIEWING THE DISTRICT OF COLUMBIA COMPREHENSIVE PLAN AND THE INITIATIVES UNDERTAKEN BY THE UNION STATION REDEVELOPMENT CORPORATION, WE FIND THIS USE TO BE APPROPRIATE FOR THESE SQUARES. WE THINK THAT AS THESE SQUARES ARE DESIGNED, SOME RETAIL USES SHOULD ALSO BE INCLUDED. THE RETAIL USES COULD PROVIDE ADDITIONAL SERVICES TO THE EMPLOYEES AND THE NEARBY RESIDENTS.

AS YOU KNOW, SQUARES 721 AND 722 ARE PARTS OF A MUCH LARGER UNION STATION IMPACT AREA. OVER THE YEARS, THE DISTRICT OF

COLUMBIA HAS GIVEN FOCUSSED ATTENTION TO THE REVITALIZATION OF THIS AREA. TO THIS EFFECT THE DISTRICT OF COLUMBIA RECENTLY ENACTED COMPREHENSIVE PLAN DESIGNATES THE UNION STATION'S AREA AS A MAJOR ECONOMIC DEVELOPMENT OPPORTUNITY AREA. THE DISTRICT OF COLUMBIA CONSEQUENTLY, IS VERY MUCH INTERESTED IN ITS FUTURE DEVELOPMENT.

DURING THE MID 1970'S, THE DISTRICT OF COLUMBIA WORKED WITH THE ARCHITECT OF THE CAPITOL ON THE MASTER PLAN FOR THE UNITED STATES CAPITOL GROUNDS. A SIGNIFICANT PART OF THIS MASTER PLANNING EFFORT WAS THE DELINEATION OF SPECIFIC USES FOR EACH OF THE PARCELS WITHIN THE JURISDICTION OF THE ARCHITECT OF THE CAPITOL.

IN CLOSING, LET ME SAY THAT THE DISTRICT OF COLUMBIA RECOGNIZES THAT, AS PART OF ITS ROLE AS THE NATION'S CAPITAL, THE CONGRESS AND THE SUPREME COURT NEED TO HAVE SUITABLE FUNCTIONAL AND SYMBOLIC SPACE. AT THE SAME TIME, WE HAVE BEEN CONCERNED WITH THE IMPACT OF CONGRESSIONAL EXPANSION ON THE SURROUNDING COMMUNITY AND ON THE DISTRICT'S TAX BASE.

WE HOPE THAT THE FUTURE DEVELOPMENT OF THESE SQUARES WILL FOLLOW THE DEVELOPMENT GUIDELINES ESTABLISHED IN THE CAPITOL HILL INTEREST DISTRICT AND IN THE COMPREHENSIVE PLAN. ONCE MORE, I WISH TO EXPRESS OUR SUPPORT FOR THE DEVELOPMENT OF SQUARES 721 AND 722.

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY AND I AM PREPARED TO RESPOND TO ANY QUESTIONS YOU MAY HAVE.

THANK YOU